S. Hrg. 101-13

# THE LABOR SHORTAGE—POVERTY AND EDUCATIONAL ASPECTS

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## HEARINGS

BEFORE THE

## COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

EXAMINING ALTERNATIVES AVAILABLE IN COPING WITH A PROJECTED LABOR SHORTAGE IN THE FUTURE WHILE FACING A POVERTY SURPLUS AND EDUCATIONAL GAPS IN THE WORK FORCE

JANUARY 26 AND 27, 1989

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# THE LABOR SHORTAGE—POVERTY AND EDUCATIONAL ASPECTS

## The Poverty Surplus

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THURSDAY, JANUARY 26, 1989

U.S. Senate,
Committee on Labor and Human Resources,
*Washington, DC.*

The committee met, pursuant to notice, at 1:35 p.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Pell, Thurmond, Cochran, Coats, and Durenberger.

### OPENING STATEMENT OF SENATOR KENNEDY

The Chairman. The committee will come to order.

Today we begin the work of the Labor and Human Resources Committee in the new Congress. In the last Congress, this committee reported 45 pieces of legislation that have since been signed into public law. These include a number of reauthorizations of existing authority, but they also include measures such as requiring notice to workers of plant closings, banning lie detectors in the workplace, establishing a national war on AIDS, linking the Nation's schools by satellite, and creating a literacy corps of college students to teach in the public schools.

While our legislative agenda has been diverse, it has sought three fundamental goals. We want a good job for every worker; we want a good worker for every job; and we want to invest in the future.

Our hearings today and tomorrow will set out the problems we face in reaching these three goals and the strategy we are pursuing to solve them. We will hear this afternoon from the Secretary of Labor, Elizabeth Dole, on the unprecedented labor shortage likely to confront the Nation in the next decade and well into the beginning of the next century, and we will hear tomorrow morning from Secretary of Education Cavazos about the role of the schools in addressing that shortage.

For the first time since the labor shortage caused by the Second World War, America will have more jobs than workers. The labor shortage has already emerged in some parts of the country, notably, Massachusetts, and within certain professions—nursing is a prime example.

These are warning signs. The Workforce 2000 study by the Department of Labor is more comprehensive. It provides unmistakable advance notice that unless we act now, America will soon be without enough hands on deck to get the work of America done.

This problem would be pressing enough even if it signalled merely a shortage of workers. More than in the past, however, the jobs of the future will require solid basic skills in reading and communications, in mathematics and computers.

Recruiting more men and women into the work force will not solve the problem; we must also close the skills gap.

These challenges are serious, but they are also an historic opportunity. Since 1969, the poverty rate has fluctuated between 11 and 15 percent, and that rate has tended to follow the unemployment rate. This suggests that the coming labor shortage may be the catalyst we need to permanently break the cycle of poverty.

In effect, we have a labor shortage and a poverty surplus, and with the right policies, we could use them to solve each other.

Half of those on welfare today have been on welfare for years and are likely to remain on welfare for years to come. The peaks and troughs of the business cycle have been irrelevant to their fortunes. Prosperity passes them by and recession merely brings more company to their misery. But we know now from the experience of Massachusetts and other States that these people can succeed. The right combination of policies enables them to enter the work force and to stay in it.

For many Americans who have been routinely missed by economic prosperity, however, work is a hardship, not an opportunity. For most welfare recipients, a minimum wage job pays less than they receive in AFDC and food stamps. For all AFDC recipients, the decision to take a job means a loss of Medicaid benefits and the added cost of child care.

One result of these three gaps—the wage gap, the health gap, the child care gap—is that parents who do elect to work rather than accept welfare often do so out of a devotion to the work ethic rather than out of a cold calculation of their children's financial interest. Another result is that many who choose work return to welfare. In Michigan, 80 percent of those who came back to welfare had been placed in jobs that did not provide health insurance.

Sub-poverty wages and lack of child care are also powerful barriers to independence for these potential workers. In other words, the minimum conditions of work are no longer sufficient in many cases to meet the minimum needs of workers.

Employers also face barriers as they look for workers. We are already in the midst of a growing skills gap between what employers need and what schools produce. Business leaders estimate that they are spending tens of billions of dollars a year to raise the skills of their workers to the level that a high school graduate should possess.

As the labor shortage intensifies, as schools continue to decline, and as the jobs of the future become increasingly technical, these costs will accelerate.

Answers are not lacking. We know, for instance, that quality early childhood education dramatically changes the future employment outcomes of children who receive it. Graduates of the Perry

Preschool Program in Michigan are twice as likely to work, half as likely to be on AFDC, as children who do not receive such education.

The Committee for Economic Development estimates that this country will save five dollars in future costs for every dollar that we invest today in early childhood education. As the dozens of reports on the coming labor shortage, particularly of skilled workers, make clear, the failure to invest these dollars is the highest tax we can pay.

Business leaders have begun to highlight these issues and we shall hear from some of them today. Employers see the enormous stake that they have in the success of schools. Our efforts to close these gaps cannot be modest if only because the cost of failure will be unacceptably high to business and society.

To paraphrase the saying of a generation ago: What is good for Roxbury, Harlem and Watts is good for General Motors, IBM and AT&T. Now is the time to change the terms and goals of our policy debate. In meeting these challenges and opportunities, we can forge a new alliance between business, the schools, Government and workers, and yes, even between Democrats and Republicans.

Demography is destiny. The next decade is inviting us to shape ours now. If we fail, we remain trapped in the old arguments and obsolete allegiances of the past, and we will fail our children, fail our workers and fail our country.

I might just mention here an article in Fortune Magazine, "Saving the Schools." about a conference of corporate leaders, including many of them on this very same issue and question. Really, a very unique opportunity is before us, and I would hope that through the hearings of today and tomorrow we can lay out this premise, which hopefully will set the framework which the Human Resources Committee will attend to over the course of this session of the Congress.

At this point I will enter into the record the prepared statements of Senators Hatch and Simon.

[The prepared statements follow:]

## STATEMENT OF SEN. ORRIN HATCH

## BEFORE THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

## HEARING ON EMPLOYMENT AND POVERTY

Mr. Chairman, I welcome all of our witnesses this afternoon, especially the new Secretary of Labor, Elizabeth Dole.

I agree that the committee should explore ways of facilitating the training and education of people who have so much to offer to our economy. Perhaps this is a timely topic given the fifth year anniversary of JTPA's implementation last October and the work just beginning on the reauthorization of the Carl Perkins Vocational Education Act.

I would like to make one observation that I think is relevant to this hearing. Federal spending for programs which endeavor to assist low-income citizens in FY 1989 is $149.2 billion. That total includes health care ($47.7 billion), cash assistance ($45.2 billion), food programs ($20.3 billion), and housing assistance ($14.4 billion). We should also add that these figures do not include state, local, or private sector spending on programs for the disadvantaged. All of these, of course, are important programs, and we need them to help families get through tough times.

But, I was struck, Mr. Chairman, by the fact that only $21.6 billion of that total was for job training and education. While funds for health, cash assistance, food programs, and housing have increased an average of 65 percent since 1981, the funds available for job training and education have increased only 13 percent.

In short, Mr. Chairman, we spend billions treating the symptoms of poverty and not the causes of it. Somewhere government got off the track regarding the most effective way to help people. I believe, Mr. Chairman, that the best way is to help them help themselves.

Blame for this derailment is not important. What is important is that we reevaluate the needs of our low-income citizens and use our collective efforts to provide greater long-term help not just day-to-day subsistence that is costly for the taxpayers and demoralizing for the recipients.

Mr. Chairman, I will welcome the opportunity to work with you, as well as the Bush Administration, in developing ideas to make this happen.

####

Paul Simon

STATEMENT OF SENATOR PAUL SIMON
SENATE LABOR AND HUMAN RESOURCES COMMITTEE HEARING
"THE COMING LABOR SHORTAGE AND THE PERSISTENT POVERTY SURPLUS"
JANUARY 26, 1989

Mr. Chairman, today I join you in welcoming our new Secretary of Labor, the Honorable Elizabeth Dole. And I congratulate our new Secretary who was confirmed unanimously just yesterday by the Senate. I personally look forward to working with her over the next four years on a number of issues we have discussed over the last few weeks and I look forward to hearing her comments and proposals on the labor shortage problems we face and the need to educate and train those who are out of school, out of work and out of hope.

I also look forward to hearing the testimony of those here today who have a far more intimate understanding of the value and meaning of a job than I -- those who have wanted to work but have lacked the training, the support, the opportunity to secure full time, long-term employment.

Last year, Congress passed major reforms in our welfare system. Central to these reforms is an understanding that most of those receiving government assistance want to work, want to have the means and the opportunity to take care of themselves and their families. Many of the changes that will be made in government assistance programs recognize this, and recognize that we have failed badly in reaching those who need some level of remedial education and job training before they can become active and productive members of the labor force.

We must continue to expand job opportunities for all Americans. We need to build on the successes of current federal job training programs, reaching those who are harder to move into the workforce. We must go beyond job training programs and also address other needs of those currently receiving government assistance -- child care, medical assistance, transportation expenses. Unless these needs are also met, we will never help many welfare recipients move from dependency on the government to self-sufficiency.

A job is more than a regular income for those who have spent some time on welfare it is confirmation that they can and will be productive and valued members of their communities.

Mr. Chairman, we face a tremendous challenge, yet the possibilities are endless though the resources are limited, but the time to act is now. I look forward to hearing the thoughts and recommendations presented by each of our witnesses here today.

The CHAIRMAN. Unfortunately, Secretary Dole had a meeting at the White House and will be joining us at 3:00. Because of this, we will start with what was planned as our second panel.

Ms. Marcia Townley is joining us today from the Dayton-Hudson Corporation in Minneapolis, Minnesota. I am happy to welcome you here today and look forward to hearing about your program. I know that Senator Durenberger would like to present you. He is a member of this Committee, and we look forward to his introduction and to your testimony.

## STATEMENT OF HON. DAVE DURENBERGER, A. U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator DURENBERGER. Thank you, Mr. Chairman.

It is a pleasure to hear you talk about the problems and opportunities that face this country, and it is a pleasure for me to have the opportunity to introduce to you and my colleagues who will find time to join with you Ms. Marcia Townley.

If you look at everything from the name to the background—she went to Wellesley, she works for Dayton-Hudson, all that sort of thing—you wonder what she is doing here responding to your invitation to talk about lifting people up through the employer. But if you understand Minnesota, which I know you do, and I think a lot of people do, there is a lot of innovation going on in that State, but nowhere more so than in the role the employer plays in the community.

Dayton-Hudson Company probably is without peer, although there are more people joining it all the time and discharging the social responsibility of the corporate employer.

Marcia and I first met back when we were both in the Citizens' League, which is in and of itself a unique institution in the community—3,000, 4,000, 5,000 people like us who do nothing but explore opportunities and give opinions and sort of change the world in our community. A lot of the public policy issues you will examine during the course of this Congress here, coming out of Minnesota, in education, for example, and in the work force, will be because people like Marcia Townley got involved through this institution.

But her employer is different, and it is the Dayton-Hudson Company that gave the leadership in our community, the so-called Five Percent Giving Club. The Dayton-Hudson Foundation has been very creative in influencing not only the community, but influencing the company itself. And I think it is in that regard that Marcia comes here today to talk to all of us about the JobPlus Program and what it has meant to a lot of young women and some not-so-young women, I guess, in the Twin Cities community.

So it is my personal pleasure and with pride in my community that it keeps people like Marcia there, even though right now, her husband, Pete, who used to run the business school at the university is off running the Conference Board, so they have sort of a long-distance marriage here at the present time. But you cannot get somebody this good to get out of the Twin Cities, and I am glad she came today, and I very much appreciate your invitation to her to be here.

[The prepared statement of Senator Durenberger follows:]

## Statement by Senator Dave Durenberger
## The Coming Labor Shortage and the Persistent Poverty Surplus
January 26, 1989

Thank you Mr. Chairman, I want to thank you for holding this hearing today on the future shortage of skilled labor in this country. I believe this is a severe problem that we must begin to address today. According to a report published by the Project on Adult Literacy, seventy-five percent of the American workforce in the year 2000 are already above the age of 18. They are out of school and in the workforce. Of these people, it is estimated that 20-30 million have serious problems with basic skills. Faced with a declining labor supply, the United States simply cannot remain competitive in the global market place, unless we begin now to address the problem of upgrading the skills and education of our workforce.

I am especially pleased that we have here today Marcia Townley of the Dayton-Hudson Company to share with us an example of a successful program in which the private sector works together with local social service agencies to provide a job readiness program to give low-income, at risk individuals the skills, self confidence, and experience they need to get and maintain a job.

A major component of this program involves a retreat in which participants experience a two day "outward bound" experience in which they are challenged to take risks and work together as a team. It is this sort of hands-on experience that teachs the participants how to set goals, and how to work to achieve them. With the goals they achieve on the retreat, they begin to build the self respect they need to achieve in the workplace.

What strikes me most about the program is the sense of motivation the participants seem to gain due to the special interest shown by the employer in their employment. Also, important in this program is the continued support provided by Dayton-Hudson. The business-social service link helps move beyond the simple employer-employee relationship that these individuals often need to overcome the social and personal problems that have prevented them from succedding in the marketplace before.

It is innovative programs like Jobs Plus that bring together the private and public sectors that will be vital to the economic well being of this country as we begin to face increased labor shortages and fewer people capable of filling the jobs necessary for America to compete successfully in the global marketplace. We are faced with a situation of increasing market supply of unskilled labor coupled with an increasing market demand for skilled labor. Allowing this trend to continue will directly threaten the economic well-being of our economy and the ability to maintain our current standard of living.

Faced with current budgetary problems we know that the public sector cannot solve this problem alone. Nor can the private sector solve the problem alone. If we are going to meet the challenges of tomorrows' workforce and remain competitve in the global marketplace, we must work together and provide innovative solutions similar to the Jobs Plus program sponsored by the Dayton-Hudson Corporation and the YWCA. We must encourage the public and private sectors to together to achieve the commen goal of a better, stronger America.

The CHAIRMAN. Thank you, Senator.

Ms. Townley, with that very fine introduction, we look forward to your comments and living up to it here today.

## STATEMENT OF MARCIA TOWNLEY, DIRECTOR OF PUBLIC AFFAIRS, DAYTON-HUDSON CORP., MINNEAPOLIS, MN

Ms. TOWNLEY. Thank you, Mr. Chairman, and thank you, Senator. That was a very nice introduction, and I appreciate it very much.

I am here today to tell you about an exciting program that Dayton-Hudson Department Store Company created four years ago through a grant from the Dayton-Hudson Foundation.

The program tests a job partnership concept to recruit and place teen mothers at risk of long-term welfare dependency in entry-level jobs.

The exciting news is that after four years of experience with this program, it works.

JobPlus is a public/private partnership between an employer with jobs and a willingness to hire "perceived at-risk" employees and a human service agency with expertise in working with clients at risk of long-term welfare dependency.

JobPlus works for five basic reasons. The first two have to do with attitude; the last three have to do with unique components of the program.

First, the partners—Dayton's, and the Minneapolis YWCA, the human service agency—believe that the participants in the program will make valuable, competent employees. As an employer, we have expanded our views of who are eligible employees. We have moved beyond what had been our traditional work force. We no longer can rely on walk-in applicants from the ranks of college students and homemakers to meet our employee needs.

Second, we believe that given the opportunity for a real job and support in overcoming the barriers to employment, these young women want to work. But it must be a rational choice. These women are bright. The benefits from work must outweigh the benefits of remaining on welfare.

Now, the three unique program components that help guarantee success.

First, the nonprofit agency provides a two-week job readiness program. Included is a two-day retreat at a wilderness camp, where the participants experience "Outward Bound"-type challenges and self-esteem-building exercises.

Second, when each participant begins her job, she is assigned a peer partner, someone in our company in a similar job who knows the ropes and will serve as a friend or mentor. This was the component about which I was most concerned. Would our employees be willing to make this extra effort? Well, it turned out to be one of the more successful aspects of the program. Our peer partners received as much as they gave.

The third unique component has to do with follow-up. The nonprofit agency staff does not abandon the employee after the first day on the job. Instead, agency staff keeps in close touch with both the participant and the employer to anticipate and respond to issues before they become problems that might interfere with job performance.

Human resource departments and supervisors do not have the time or the experience to help employees with a daycare or housing crisis, a parenting problem, or other personal issues that could impact job success. These are areas where the human service agency's expertise is invaluable. Many times, an employee might have become discouraged, quit or been fired, if it had not been for the advocacy and problem-solving of the nonprofit agency staff.

This is truly a win-win partnership with all three partners contributing what each does best and receiving in return rewards or benefits.

The nonprofit agency works with the future employee to remove the barriers to employment, and once the participant is employed, continues to work with the employer and employee to help guarantee success on the job. In return, the agency experiences the satisfaction of contributing to the successful employment of the participant and receives funding to pay for staff expenses, in the case of this program from the Dayton-Hudson Foundation the first three years and now from the State of Minnesota through a special program to encourage experimentation in welfare reform.

The employer provides a job, a peer partner, and good supervision; in return, the employer gains a valued, competent employee.

The program participant—the young woman—makes a commitment to employment and to life changes in return for support from the human service agency and a job from the employer.

Now, how do we know that JobPlus works?

During the first two years of the program, we contracted with an outside consultant to evaluate the results of the first 100 participants. Less formal follow-up since then with all participants confirms the continued success of the program.

Success is measured from two perspectives—from that of the employer and from that of the program participants. It is extremely important that the program be viewed as a success from a business point of view—and it is.

Seventy-five percent of the participants receive satisfactory or good job performance ratings on standard job performance measures.

Job retention is as good or better than control groups of regular employees hired for similar jobs.

Good performance and good retention are results that would guarantee success to any employer.

From the participant's point of view, success is determined by evaluating individual progress in four areas. The areas are continued employment, education progress, reduced dependence on public assistance, and no unplanned pregnancies.

If progress is made in three or four of those areas, the participants are viewed as successful or very successful. Sixty-five percent of the first 100 participants were successful or very successful after six to eight months in the program. The good news is that 16 months later in a follow-up study, 63 percent were still evaluated as successful.

In preparation for this testimony, we did a quick follow-up of all 160 young women we had hired since 1985. Of the 160, we were able to reach 93, or 58 percent of the total. We were thrilled with the results. Remember, some of these women started working with us as long as four years ago. Eighty-eight percent, or 82 of those 93 we reached, were successful or very successful on the four measures I described a bit earlier. Ninety percent had no unplanned pregnancy. So we think that the self-esteem emphasis on the program has worked.

Seventy percent, or 65 of those 93, are still working. Forty-two of those working are also in school or completed some additional training. Seventeen percent are in school and not employed. And only 12 percent, or 11 individuals, are neither in school nor employed.

Even if we assumed that all the women we did not reach were unsuccessful, the program would have a 51 percent success rate.

Finally, we must ask what have we learned from this experience with JobPlus that could help other employers hire less traditional employees or public policymakers grapple with issues of moving individuals off the welfare rolls onto the work rolls?

First, we need to create the right attitude. We must believe that, given the chance and the resources, these individuals want to work, and trust that given the appropriate support and supervision, they will make valuable employees.

Second, the transition from welfare to economic self-sufficiency does not happen overnight. It occurs over a period of time and by taking many, sometimes small, steps in the right direction.

Do not expect the first job to be the ultimate career fit or lifetime occupation. Remember it is a first job—and maybe is best, considering often the child-rearing responsibilities of these young women, that it be a part-time job. But just make sure that it is the best first job you can make.

So often I hear stories of young AFDC moms with two kids and no real work history taking on a full-time job or a full course load at a local technical institute and failing because a housing crisis or a sick child has made them miss too much work or school to continue. After a setback like that, it is really hard to start again.

I often think it would be better if the young woman had perhaps taken a part-time job or a part-time course load and had greater success of making it.

Remember, it is progress we want, not overnight miracles. What we want are people moving up the job ladder from entry-level positions on. The purpose of JobPlus is to help individuals take those first steps.

Third, because we want progress and cannot expect miracles, it is important for transitional support to be there. Daycare or subsidized daycare should continue during the first six months to a year on a job. Medicaid should continue until the employee is eligible for company benefits. Funds should be available for caseworker follow-up during the first months on the job to help solve the unexpected but predictable crisis.

The provision of these transitional services and support should be the role of the public sector and appears to be the direction that welfare reform experiments and legislation are moving.

But finally, success comes down to self-esteem. All the daycare, health benefits and training money can buy will not make a difference if the participant does not believe in herself. That is why we need caseworkers who are sensitive to the needs and aspirations of their clients and not bogged down in paperwork. We need follow-up and tangible support to handle the transitional issues during the early months on the job. And we need job supervision that is fair, caring and expectant of positive results. Each person must be treated as a special individual with unique needs and talents. Given that kind of support and encouragement, chances of success are great.

We know from experience it can be done. We have done it, and we are doing it again. We have expanded JobPlus to Flint, Michigan through the YWCA there, and to Metro Detroit through Michigan Human Services. And you might be interested to know that we are going to be serving young men in Metro Detroit as well as young women. We know other employers and human service agencies can do it, too.

To help with the replication of JobPlus, we have a manual and a videotape that will help others to adapt the program to their own needs. We are eager to share this information with the committee and with others who are interested.

Mr. Chairman, I thank you very much for this opportunity to share JobPlus and would be happy to respond to any questions.

[The prepared statement of Ms. Townley follows:]

Mr. Chairman, Members of the Committee. My name is Marcia Townley. I am Director of Public Affairs for Dayton Hudson Department Store Company, a division of Dayton Hudson Corporation. Dayton Hudson Corporation is made up of four retail divisions, Dayton Hudson Department Store Company, Target, Mervyn's and Lechmere, with 627 stores in 37 states. (Dayton Hudson Corporation is the nation's 6th largest retailer with approximately 150,000 employees) The department store division for which I work has 37 Dayton's and Hudson's stores and 23,000 employees in 7 states. Most of its stores are in Minnesota and Michigan.

I am here today to tell you about an exciting program which Dayton Hudson Department Store Company created four years ago with a three year new initiative grant from the Dayton Hudson Foundation. The program tests a job partnership concept to recruit and place teen mothers at risk of long term welfare dependency in entry level jobs.

The exciting news is that after four years of experience with JobPlus the program works!

JobPlus is a public/private partnership between an employer with jobs and a willingness to hire 'perceived at risk' employees, and a human service agency with expertise in working with clients at risk of long term welfare dependency.

JobPlus works for five basic reasons. The first two reasons have to do with attitude - the last three have to do with unique components of the program.

First the partners, Dayton's, and the Minneapolis YWCA, the human service agency that does the recruitment and provides job readiness training - believe that the participants in the program will make valuable and competent employees. As an employer we've expanded our views of who are eligible employees. We've moved beyond what had been our traditional work force. We no longer can rely on walk in applicants from the ranks of college students and home makers to meet our employee needs.

Second, we believe that given the opportunity for a real job and support in overcoming barriers to employment, these young women want to work. But it must be a rational choice. The benefits from work must outweigh the benefits of remaining on welfare.

Now the three unique program components that help guarantee success.

First, the non-profit agency provides a two-week job readiness program. Included is a two day retreat at a wilderness camp where the participants experience "Outward Bound" type challenges and team-building exercises.

Second, when each participant begins her job, she is assigned a peer partner, someone in the company in a similar job who knows the ropes and will serve as a friend and mentor. This was the component about which I was most concerned. Would our employees be willing to make that extra effort? Well, it turned out to be one of the most successful aspects of the program. Peer partners received as much satisfaction as they gave.

The third unique component has to do with follow-up. The non-profit agency staff does not abandon the employee after the first day on the job. Instead, agency staff keeps in close touch with both the participant and the employer to anticipate and respond to issues before they become problems that might interfere with job performance.

Human resource departments and supervisors do not have the time nor the experience to help employees with a day care or housing crisis, a parenting problem or other personal issues that could impact job success. These are areas where the human service agency's expertise is invaluable. Many times an employee might have become discouraged, quit or been fired, if it had not been for the advocacy and problem solving of the non-profit agency staff.

This is truly a win/win partnership, with all three partners - the agency, the employer and the employee - contributing what each does best and receiving in return rewards or benefits.

The non-profit agency works with the future employee to remove barriers to employment - something neither the employer or the employee could accomplish alone - and once the participant is employed continues to work with employer and employee to help guarantee success on the job. In return the agency experiences the satisfaction of contributing to the successful employment of the participant and receives funding, in this case from the Dayton Hudson Foundation for the first three years and now from the State of Minnesota, to pay for staff expenses.

The employer provides a job, a peer partner and good supervision; in return the employer gains a valued, competent employee.

The program participants make a commitment to employment and life changes in return for support from the human service agency, and a job from the employer.

Now - how do we know JobPlus works?

During the first two years of the program we contracted with an outside consultant to evaluate the results of the first 100 participants. Less formal follow-up since then with all participants confirms the continued success of the program.

Success is measured from two perspectives - from that of the employer and from that of the program participants.

It is extremely important that the program be viewed as a success from a business point of view - and it is.

- o 75% of the participants receive satisfactory or good job performance ratings on standard job performance measures.
- o Job retention is as good or better than control groups of regular employees hired for similar jobs.

Good performance and good retention are results that would guarantee success to any employer.

From the participant's point of view, success is determined by evaluating individual progress in four areas. The areas are:

- continued employment
- education progress
- reduced dependence on public assistance
- no unplanned pregnancies

If progress is made in 3-4 of those areas the participants are viewed as successful or very successful. 65% of the first 100 participants were successful or very successful after 6-8 months in the program. The good news is that in a 16 month follow-up, 63% were still evaluated as successful.

In preparation for this testimony we did a quick follow up of the 160 young women we had hired since summer 1985. Of the 160, we were able to reach 93 or 58% of the total. We are thrilled with the results. Remember some of these women began the program almost four years ago.

88% (82) of those we reached were successful or very successful on the four measures described earlier.

90% (84) had no unplanned pregnancy. The self esteem support has worked.

70% (65) are still working - 18% at Dayton's (12)

42 of those working are either in school now or have completed additional schooling.

17% (16) are in school and not employed
12% (11) are unemployed and not in school

Even if we assumed that all we didn't reach were unsuccessful, the program would have a 51% success rate.

Finally, one must ask what have we learned from our experience with JobPlus that could help other employers hire less traditional employees or public policy makers grapple with issues of moving individuals off the welfare roles onto the work roles?

First - we need to create the right attitude. We must believe that given the chance and the resources, these individuals want to work. And trust that given the appropriate support and supervision, they will make valuable employees.

Second - the transition from welfare dependence to economic self sufficiency does not happen over night. It occurs over a period of time and by taking many - sometimes small steps - in the right direction.

Don't expect the first job to be the ultimate career fit or lifetime occupation. Remember it is a first job - and maybe it is best, considering child rearing responsibilities, that it be a part time job. Just make it the best first job you can.

So often I hear stories of AFDC moms with two small kids and no real work history of taking a full time job or a full course load at a technical institute and failing because a housing crisis, or even a sick child, has made them miss too much work or too much school to continue. After a set back like that, it is hard to start again. Maybe she would have made it, if it had been a part time job or a 1/2 course load.

Remember it's progress we want, not over night miracles. What we want are people moving up the job ladder from entry level positions on. The purpose of JobPlus is to help individuals take those first steps.

Third - because we want progress and cannot expect overnight miracles, it is important for transitional support to be there. Day care or subsidized care should continue during the first six months to a year on a job. Medicaid should continue until the employee is eligible for company benefits. Funds should be available for case worker follow-up during the first months on the job to help solve the unexpected, but predictable, crisis. The provision of these transitional services and support should be the role of the public sector and appears to be the direction of welfare reform experiments and legislation.

But finally - success comes down to self-esteem. All the daycare, health benefits and training money can buy will not make a difference if the participant does not believe in herself. That is why we need case workers who are sensitive to the needs and aspirations of their clients and not bogged down in paper work, follow-up and tangible support to handle the transitional issues during the early months on the job and job supervision that is fair, caring and expectant of positive results. Each person must be treated as a special individual with unique needs and talents. Given that kind of support and encouragement, chances of success are great.

We know from experience it can be done. We've done it and we're doing it again. We're expanding JobPlus to Flint, Michigan through the YWCA, and to metro Detroit through Michigan Human Services. We know other employers and human service agencies can do it, too. To help with replication of JobPlus, we have a manual and video tape to assist others develop and shape a JobPlus program to their own environment. We are eager to share these materials with the committee and others who are interested.

Mr. Chairman, I appreciate this opportunity to appear before the committee and would be happy to respond to questions.

The CHAIRMAN. Thank you very much. That was an excellent presentation, and I think it is enormously impressive how you developed that program and how helpful and beneficial it can hopefully be to millions of people.

You probably answered a bit of this question in your final comments, but if I can give you some of the points that will be raised by those who might question the program. And that is basically that you are really sort of skimming these individuals, that these individuals would be able to get the work in any event even if they did not get these kinds of services, and therefore it really is not terribly innovative, not very creative—they would get the jobs anyway.

How do you answer that?

Ms. TOWNLEY. Well, that is a question we often are asked, you are right. We look for individuals who have a degree of motivation. We look for individuals who are at a point in their lives where they are willing to make some changes. But they are people who had children when they were in high school; many of them do not have high school degrees. If they had walked in off the street to Dayton's Human Resources Department, our people tell us we would not have hired them, we would not have given them the chance, without knowing that many of the barriers that they face to employment are being addressed by the YWCA.

So we have the confidence as we hire these young women that some of the issues that might have prevented them from being successful are being addressed and solved.

The CHAIRMAN. Well, it would seem to me that just by definition of the people that you are taking, as I understand it, the dropouts and those who have not completed high school, just that definition responds best to that charge, because all the studies that have been done over the last 20 years would indicate that those individuals are going to continue to be on welfare—92 or 93 percent continue to be.

Ms. TOWNLEY. Right.

The CHAIRMAN. It is very difficult when you are talking about a dropout and also an unwed mother who has not completed high school—there is much cream in that group—I mean, it would seem to me you have targeted the most difficult group just by definition of your program, if I understand it correctly.

Ms. TOWNLEY. Yes. I think we are targeting the most difficult group. But even with that group, there are degrees of motivation.

The CHAIRMAN. True. Well, if it is the most difficult group, and we are at least able to get some things going, it certainly seems to me to be worthwhile.

Again, with respect to your belief of its applicability in other communities and with other groups—as I understand, you are starting now with males in Detroit. What about other places?

Ms. TOWNLEY. We are doing that in Michigan, in both Flint and Metro Detroit. We have an example in Minneapolis of Pillsbury Company making a grant to the YWCA to adapt this program a bit to their needs for Burger King. So other employers are beginning to take a look at it. We wish there were many more. And I think what really prevents additional employers from taking this on is the lack of the support services, the transitional services, that the

"Y" provides in this case—the link, really, between the agency and the employer is what is so important and unique to this program, I think.

The CHAIRMAN. In the last Congress, we passed a program called the JEDI Program. Through this program we recognize that the group you are selecting has a 90 percent chance of continuing to be on welfare for ten years. If we figure out what the Federal cost of that is going to be—roughly $40,000, it obviously varies around the country—and if we get those individuals whom we know are going to be on welfare over a period of time, and we are able to demonstrate that those people now hold jobs, we will try to create a bonus for the States, because the Federal Government is going to be saving, and the States are going to be saving, to create this revolving fund to reward that kind of initiative—that saves the Federal Government money. We do not spend a nickel until we actually find a success story.

It would seem to me to be a pretty useful way of committing ourselves to taking this whole process, which I believe can be replicated and can be successful, and enhancing it.

Do you have any reaction to that?

Ms. TOWNLEY. I think that is exactly the direction that we should be going in, and I believe very much in the reward theory. Agencies like the YWCA and others around the country that can work with clients like this do not have the funds to do the job that they need to do, and that kind of program is exactly the kind of thing that will really stimulate replication of this program. So I look forward to telling them about it and finding out how they can take advantage of it.

The CHAIRMAN. What does it basically cost you to provide those services to an individual?

Ms. TOWNLEY. Per client, it is in the range of $1,600 to $1,800, and that includes about $400 worth of child care direct costs that are charged to the program.

The CHAIRMAN. This seems to be in the range we find; I think in Massachusetts it was about $2,100. But we are somewhere in the $1,600 to $2,100 range, where we are able to provide some of these essential services.

Finally, you mentioned the importance of continuation of both the daycare and the Medicaid. I think you know we built some of that into the welfare programs last year—of course, they are taking a little time to get phased in. I think one of the worst things would be if we were able to get people moving, and then they get into that situation where they found employment and then there is a termination of those services. I think the words that you use are correct—they should continue the Medicaid until they get company benefits. The unfortunate thing is there are many companies that do not provide those kinds of benefits. And without getting involved in some of the crossfire of which way is the best way to do it, I think you make an important point, and I do not know what more you would want to add about the importance of continued daycare and some kind of health program.

I am not asking you to endorse any particular one, but to the extent that the concept is important, I would like to hear from you.

Ms. Townley. Well, our experience is that those are two of the most important barriers, or difficult barriers to employment for this population, and so any way those issues can be addressed would certainly help this group. The State of Minnesota has been able to some extent to address that issue for them so they have that transitional support.

The Chairman. I think it is important, too, that it be ongoing to the extent that we are able to do that as well—as I understand you, that is what you are saying.

Ms. Townley. That is correct.

The Chairman. I mean, the transition was good to get them moving, and then to have that contamation so they do not slide back.

Ms. Townley. They need the ongoing support group support; they need to make sure there is not a gap in the health care for their families, and that daycare is available. That is a big issue.

The Chairman. I think the idea of having a "helper", so to speak, in the company is rather interesting, and one I had not heard before and makes a good deal of sense.

Ms. Townley. I hope you get a chance to see the video, because there is a piece in the video where some of our peer partners are interviewed, and you can see the satisfaction that they get from helping someone else make it. And it was something I was not sure would work, but it has been important to the program.

The Chairman. I think it is an excellent suggestion.

Senator Durenberger?

Senator Durenberger. Mr. Chairman, I do not know if you have ever had this experience, but on my return up here from that brief introduction of Ms. Townley, I found a very profound opening statement that I would like to have you accept as part of the record.

The Chairman. It will be so included.

Senator Durenberger. I have no particular questions, and I appreciate yours very much, Mr. Chairman. It is a welcome introduction for me to hear your concerns for this problem and the role the committee is going play.

Marcia, thank you.

Ms. Townley. Thank you.

The Chairman. I hope you will keep us informed of the progress. We are trying to find out in this what works and what does not, and clearly, from your record, you have found a way that is being effective and successful, and I think it is important that we try and find out what our whole role in this area should be.

We want to thank you very much for appearing.

Ms. Townley. Thank you.

The Chairman. We are pleased to welcome our second panel of three women who are with us today, especially well-positioned to explain the problems and benefits in moving from welfare to the work force.

We welcome Ms. Wendy Dipilato, from Worcester, Massachusetts; Ms. Renee Goldinger, from Kittanning, Pennsylvania; and Ms. Taffie Lloyd, from Kittanning, Pennsylvania. I want to thank all of you for travelling and being with us here.

At the outset of this panel, I want to say how much I appreciate your presence here. I think it is part of our whole tradition and culture not to be willing to talk very much about hardships in our family and to share those particular human conditions. We are all private individuals and have a great sense of pride in terms of our own families, and your willingness to come up and share your life's experience here we know is not terribly easy, and we are very grateful for your willingness to do it. We hope from this that we are going to be able to at least recognize our role in trying to help address some of these matters, and that is our best way of expressing our appreciation to all of you. I say that very sincerely. So we want to thank you all very much for coming.

We will start off with Ms. Dipilato.

## STATEMENT OF WENDY MOTT DIPILATO, ET CHOICES GRADUATE, WORCESTER, MA; TAFFIE LLOYD, KITTANNING, PA; AND RENEE GOLDINGER, KITTANNING, PA

Ms. Dipilato. Mr. Chairman, members of the committee, my name is Wendy Dipilato. I am 31 years old, and I live in Worcester, Massachusetts. I have one daughter, Jessica, who is now five.

For the last two and a half years, I have been working as a secretary for two real estate attorneys at the law firm of Simonian & Murray in Worcester. When I began my job, I was making $7 an hour; today, I am making $9 an hour, or $17,000 a year plus bonuses.

Before I got my job, I had been on welfare for two years. I was working as a visiting nurse's aide, and I had health insurance through Blue Cross/Blue Shield. But when I got pregnant, I found out my health insurance would not cover the cost of my baby. When I learned that, I switched to Central Mass Health Care, an HMO, for a month and then collected three months of benefits after the baby was born as sick leave and vacation time. But then I had no health care or daycare for my child, and I could not afford to pay for that, so I was forced to go on welfare. But I knew that I did not want to be on welfare and that I would try to get a better job with health care as soon as I could.

While I was on welfare, I learned about the ET Program through fliers in the local welfare office. I enrolled in ET in January of 1986 and got job training as a word processor through Central Massachusetts Job Training. I took the six-month course, graduated, and found a job first at Accountemps and three months later at the attorneys' office. I would have never taken my present job if it had not been for the health insurance that went along with it.

Soon after I enrolled in ET, the training program opened an onsite daycare center, and Jessica started to go there. In fact, she was the first child at the daycare center. Today, Jessica is in kindergarten. She stays in school until 2:00 p.m., when I pick her up and bring her to my office, where she stays until my husband picks her up at 3:30—I just got married this past May.

The Chairman. Congratulations.

Ms. Dipilato. Thank you.

I cannot stress enough how hard it is to be on welfare. It is degrading. It is a myth that you can just be on welfare and sit around and not work. I could hardly make ends meet. Before I went on welfare, I had an excellent credit rating. By the time I got off of welfare, I had lost good credit, and ended up owing the electric company hundreds of dollars. I just could not keep up with my bills and care for my daughter on the little bit I did get on welfare.

When you are on welfare, you are not yourself. I felt claustrophobic being in the house all day, and I had a bad attitude about myself. I would never go back on welfare again.

I cannot say enough good things about my employers. They are so supportive—even letting Jessica stay at the office for a little while during the day. There are not many employers that would allow that.

My life has really turned around since I was on welfare. Jessica loved daycare; it was good for her educationally to be with other children. I know that leaving welfare was the best thing that happened to both Jessica and me. I like myself better since I have gone back to work, and I think Jessica likes me better, too.

Thank you.

The CHAIRMAN. Thank you very much.

Would you tell us a little bit how important the daycare and the health benefits were to you in moving off welfare into the employment possibilities which you now have?

Ms. DIPILATO. I had priced daycare for Jessica before I actually went to the ET training program, and it is outrageous. I could not afford it. There is no way that I could afford it.

And as far as insurance went, a lot of places will offer a single insurance plan, but for a family plan, you have to pay a big portion of it. Between the two, there was just no way I could do that. When they opened up this new program, it worked out really well that she could go to the daycare, and now my employer offers insurance.

The CHAIRMAN. What we sort of miss out on is daycare for people who are on welfare. People stay home and look after their children, and that is a form of daycare.

And how important was the health care, in terms of health care for you and your child?

Ms. DIPILATO. If I did not have health insurance for it, I would not have taken my present job. I mean, I wouldn't want to get stuck with her being sick and not having coverage for her. That would be an important factor. That was the main reason I went on welfare in the beginning.

The CHAIRMAN. Thank you.

Ms. Lloyd?

Ms. LLOYD. My name is Taffie Lloyd. I am 30 years old, and I live with my husband, Richard, who is 38 years old. We have two children, Amanda and Michael, aged nine and eight.

In January of 1989, my husband got laid off from the Gregg Security System, where he was earning $3.75 per hour. We have applied for public assistance. From past experience, I know we will not receive any money for approximately two months. Consequently, we have to live for two months with no income.

When my husband worked, his take-home pay was $132 per week. We pay $150 per month for rent, plus utilities. On this amount of money, there is no money for clothes or shoes. Rarely do

I have any extra money to buy my children clothes, even at the Salvation Army or yard sales.

When my husband worked, we received a green medical card from public assistance which did not entitle us to prescriptions. A bill for medicine of $20 puts us behind on another bill, which starts a cycle from which we can never get caught up. A trip to McDonald's or a movie would blow the whole budget, so you know that would be completely out of the question.

It costs money to take a job; the car must be in working condition, and sometimes you need special boots or clothes. Help is available, but only if you qualify.

When my husband got his job for minimum wage, we went into debt for him to take a job that paid $2,000, but which did not qualify him for unemployment when he got laid off.

I am an intelligent woman. I graduated from high school, and I attended college for one semester. I have taken computer courses through Manpower. I have tried to break out of this cycle of poverty. I am where I am, not from not trying, but rather from lack of opportunities.

When my children ask if we are poor, I tell them that we are. When they say to me that we do not live in a cardboard box like the homeless people do, I just think to myself, "Not yet."

As poor people, we have no social life. We have no phone, and we cannot afford to buy a newspaper. It gets down to the point that if it costs 25 cents to mail a letter, I do not have it.

The glasses I am wearing now were bought with the help of the local Lion's Club. They paid $40 toward their purchase. Because I could not make payments on the balance of $65, I could not pick them up until I had saved up the money. I had not had a new pair of glasses in 10 years.

On a day I receive no mail, I am very happy. Because I do not have a phone, I am not harassed by phone, but I do get letters constantly saying that someone is going to take legal action against me for nonpayment of a bill. So the simple act of picking up the mail makes me frightened of another problem that I will be expected to handle with no means to do it.

When you work for minimum wage, you are still poor. I am trained as a secretary, but I will take any job, from housecleaning to waitressing. When I apply for a minimum wage job, there are many, many applicants for the job who all say, "I will work hard and do anything you ask me to do." Desire to do a good job does not get you a job. You have to have money in order to get a job. You have to look good and have available transportation and babysitting.

My husband and I do not blame each other for our situation. We believe in each other. We just want to provide for our family. One of the hardest parts of our problem is that you feel so alone. I know no one else is going to pick up my responsibilities, but all I would like is someone who would understand my situation.

I do not know what the answer is. I do know that if I continue to exist under these circumstances, I will lose myself. The person I always thought I was is being replaced by a person I hardly know, a person afraid of tomorrow, afraid to smile, afraid to enjoy living, afraid to trust anyone, and most of all, I am afraid it will not ever change.

The CHAIRMAN. Thank you, Ms. Lloyd.

That is very powerful testimony and is really a tragic indictment about our whole society.

Let me ask you, what has been the impact of all this upon your children? Can you tell us a little bit about that?

Ms. LLOYD. My children know they are different from their schoolmates. My daughter got invited to a birthday party, and I had to tell her no, she could not go, just because I did not have a dollar for a card or a dollar to put in that card, and I am too embarrassed to send her without a gift.

The CHAIRMAN. We talk about a dollar or a few dollars, questions of minimum wage and so on, but it is extremely difficult, certainly, in this institution to focus on the fact that even a few dollars has such an important and significant bearing in terms of people's lives. That is certainly an institutional reality, and I think you make the point very eloquently.

Let me ask you, if you had some daycare and you were not so worried about health problems in terms of your children, what would be your attitude then about working?

Ms. LLOYD. I want to work, I really do. It is just that you have to look at what is going to happen if you take a job. I mean, you have to know what is going to happen to your children. You are trying to make your life better; you do not want to make your life worse.

The CHAIRMAN. But if you had the daycare for your children, and you were assured of some minimum health benefits in terms of illness or hospitalization or caring for your children, and you got in this case, I suppose, even a minimum wage—hopefully, we are going to be able to raise it—would you work?

Ms. LLOYD. I would go to work right now.

The CHAIRMAN. Ms. Goldinger?

Ms. GOLDINGER. My name is Renee Goldinger. I live in Western, Pennsylvania with my two sons, Richard, 19, and Christopher, 15.

I have medical problems, high blood pressure and an overactive heartbeat caused by stress. I have to take medication. The medication costs me $27 for a 28-day supply. I have had numerous operations that were covered by medical cards from welfare which I no longer have.

In addition to my own medical problems, my 19-year-old son has been diagnosed as having congenital spina bifida, and I am paying the cost of him seeing specialists, which run as much as $60 a visit. Since Christmas of 1988, he has been to see three different specialists, all of which are located in the Pittsburgh area, a distance of 45 miles from where we live. With his condition, he cannot get a factory job because he cannot pass the physical. He has been trying to get a minimum wage job, but in our area it is really hard to get one at this time of year.

I have worked at minimum wage jobs since 1974, except for a period of six months in 1978, when I was hired for a temporary position and received $5.25 an hour. The job was at a plant that was 40 miles away from my house, and in addition to transportation costs, I had to pay a babysitter.

In 1974 and 1975, I worked in a department store for minimum wage for 35 hours a week and had to pay babysitters.

From 1977 to 1983, I worked in a restaurant and a bar as a cook, kitchen helper, and sometime bartender, all for minimum wage. I worked 30 hours a week, from nine to three, Monday through Friday. At the time I was working this job, my children were small, aged four and seven, and I sent my youngest one to a daycare center in 1977. In 1978, he went to a daycare center in the morning and took a taxi, which I had to pay for, to kindergarten for the afternoon. I also worked as a waitress on Friday and Saturday evenings at two local bars, for $15 a night. At this time, I was receiving $15 a month in food stamps and had a medical card.

In 1979, I needed an operation, and had to stop working and go on cash assistance for eight weeks.

In 1983, I moved into a private home and took a job as a housekeeper and caretaker of two young children. I took this job because I was able to have my sons with me; since they were teenagers, I felt that they needed me more at home. I received $80 per week and living accommodations for the three of us.

I am presently employed at a restaurant and earn $2.10 an hour plus tips. Taxes are taken from my pay for tips that I do not receive because the taxes are based on the gross sales of the restaurant, not what I actually get. I am required to buy my own uniform at a cost of $35 and supply my own white slacks and shoes to go with it.

With a job like mine, I have no life insurance—I cannot afford it—I have no savings account, I am on a strict budget. There is little money for emergencies. If something happens to my car, I cannot make it to work, and I cannot afford to fix it. Paying for heating costs with what I earn is very difficult. When my kids were little, from 1973 to 1977, we either had food and no heat, or heat and no food. I could not pay for both of these things on my paycheck. My kids and I stayed with friends who helped us at the time.

Now my rent is $275 a month, and with what I earn, I still must make decisions about what bills I pay or what food I buy.

Along with the difficulties I have had with providing for my kids and myself, and the health problems that my son and I have, there is the feeling of guilt I get because I feel I should be giving my kids more and doing more for them.

The CHAIRMAN. I will put in the record your household budget, which shows the take-home, rent, phone bill, gas, school lunches, car insurance, and leaves you with $18.

[The document referred to follows:]

## Renee Goldinger Household Budget

Pay I'm getting at the present time:

| Slow Week | Good Week |
|---|---|
| $86 - Tips | $114 - Tips |
| 32 - Take home pay | $39 - Take home pay |
| $118 - Total | $153 - Total |
| x4 - 4 weeks | x4 - 4 weeks |
| $472 | $612 |
| +150 - Support | +150 - Support |
| $622 | $762 |
| -275 - Rent | -275 - Rent |
| $347 | $487 |
| -60 - Phone bill | -60 - Phone bill |
| $287 | $427 |
| -60 - Gas for car | -60 - Gas |
| $227 | $367 |
| -20 - School lunches | -20 - School lunches |
| $207 | $347 |
| -27 - For my medicine | -27 - My medicine |
| $180 | $320 |
| -122 - Car insurance | -122 - Car insurance |
| $58 | $198 |
| -40 - Laundromat | -40 - Laundromat |
| $18 - TOTAL** | $158 - TOTAL** |

** For emergencies, food, necessities and around $1500 back medical bills plus current medical bills - every three months I have to see my doctor ($35.00).

The CHAIRMAN. So you have been receiving minimum wage since 1974, with a brief period, as you mentioned, at a temporary job in 1978 when you were making $5.25 an hour, and three months on welfare when you had the hernia operation. We listened on the Floor last year to arguments about minimum wage, and how families are not really impacted or affected by this. I wish my colleagues could hear your testimony and your statement. But we are going to get minimum wage raised, I will give you that assurance—it will not do as much as it should, but we are going to get it raised this year for sure.

Tell me what drives you to continue to work? We have looked at the difference between hourly benefits on welfare in Pennsylvania—it is $4.41 an hour if you add up all the different benefits, without child care—and the $3.35 you make an hour while working.

Ms. GOLDINGER. I work 58 hours a week sometimes. I just do not want to be on welfare.

The CHAIRMAN. In the minimum wage bill, one of the issues will be the tip credit. I notice you say you get $2.10, and then you get tips. I think there is sort of a perception that every waiter is waiting tables at Duke Zeibert's or Mr. K's, where they get those big tips. Generally, if you averaged it out an hour, what do you think your tips come to? If you get $3.35, the way it exists now, 60 percent—there is a proposal that I think will pass to reduce that to 50 percent. That is in Gus Hawkins' bill, and I think the votes are there in the Senate, because they have been able to give this perception that people working in restaurants by and large make far beyond the minimum wage.

What is your experience?

Ms. GOLDINGER. Well, I do not. If I work nine hours in one day, I will be lucky if I make a dollar an hour in tips. It varies. If there is a banquet, which is only at holidays, I could make as much as $7 an hour, but since three months ago I have only had three days that I have made $7 or $8 an hour.

The CHAIRMAN. Those are really the exceptions, then.

Ms. GOLDINGER. Yes.

The CHAIRMAN. Well, I think that that is much more realistic.

If you had had some health benefits, would you have had to return to welfare for those few months when you needed that operation?

Ms. GOLDINGER. No. I could have just taken time off from work.

The CHAIRMAN. I understand there was one point in your life when you actually had no home at all; is that right?

Ms. GOLDINGER. Yes. That was last year.

The CHAIRMAN. Can you tell us how that came about?

Ms. GOLDINGER. I had to leave the job in the private home, and I had no place to go. I stayed with a friend. My son stayed with my sister so he could go to school in his school district and not change schools. I had no job, and I had to have an operation at the time. I was hospitalized.

The CHAIRMAN. What about now?

Ms. GOLDINGER. Community Action Agency helped me get a home, because I had no money for the security deposit and first month's rent. I had none. They helped me get that going, and then

I got my job. I got hired and got a house at the same time. But I have been working 50 to 60 hours a week since then, since November 1st.

The **Chairman**. You have brought two children up; one is 19 and one is 15, is that correct?

Ms. **Goldinger**. Yes.

The **Chairman**. So your whole life has obviously been spent hard-working and providing for your sons. Now, looking back, do you see the importance of daycare and health benefits? Do you see those as important ingredients for keeping people off welfare?

Ms. **Goldinger**. Yes. My son was one of the first ones in our area in one of the first classes of daycare, and they adjusted the pay that you paid them according to what you were bringing in, which is a big help. Now, I understand there is a waiting list, a really long waiting list, to get your children in there. So if you get a job this week, you cannot get your kid into welfare for three months, and you have to find a babysitter until you can get him into the daycare. You have to wait.

The **Chairman**. So you have difficulty doing the job, if you are worried about that.

Ms. **Goldinger**. And the daycare in our town, I think it is mostly just day shift; you have to get a dayshift job, like eight to four or nine to three or something.

The **Chairman**. Let me ask Ms. Lloyd. You have had problems finding child care, is that correct?

Ms. **Lloyd**. Not so much child care, because either I was not working or my husband was not working; one was home when the other one was working.

The **Chairman**. Have any of you had trouble finding daycare?

Ms. **Goldinger**. When mine were little, yes; before I got them in daycare, yes.

The **Chairman**. Ms. Dipilato, I think you had indicated—there is a daycare program in your company.

Ms. **Dipilato**. Yes, there is. They opened up an onsite right at the training center; and I worked right on the same street when I got my job, so it was really convenient.

The **Chairman**. It makes a big difference. We have a few companies up in our area—for example, Stride-Rite in Massachusetts—who have developed that type of program. Some daycare programs are for the employees and some for the local community. They say as a business investment, it makes sense. You do not have people going to the phone at 3:00 in the afternoon, or late for work, if it is raining or snowing, and all these kinds of things, just in terms of a business's narrow, bottom-line interests. But that has not generally been the case.

Senator Pell?

Senator **Pell**. I have no questions, Mr. Chairman. I just want to say that I appreciate the honesty and the pain that this testimony must cause each one of you. I appreciate it very much. The country should be more conscious of the people who fall between the cracks as three of you have.

I wish you well.

The **Chairman**. I, too, want to thank you. We do hear similar stories over the course of our hearings, but I think it is important that we continue to try and shake the conscience of our Nation, let alone the conscience of this institution, to try and respond to some of these needs. And it seems to me that if you begin to get the daycare and to deal with the health concerns of young families, if you provide some skills—and we are going to hear more details later, Ms. Dipilato, about the ET Program—if you give a person at least a liveable wage—which the current minimum wage is not—people are going to move away from dependency. And what it means as a bottom line—and unfortunately, that is put first around here—is that it makes sense financially, but more importantly, it makes enormous sense in terms of the family. And most importantly, it makes enormous difference in terms of the children. So maybe we will be able to get moving on those particular issues. It is certainly my intention to do so, and we will do everything we can to try and achieve that, and that will be the best way we can express our appreciation.

I want to thank all of you very much for joining us today.

We are pleased to welcome our next panel of two witnesses who will draw from their extensive experience, explaining what it is that's necessary to move people from welfare. Our panel consists of Patricia Wright, Director of Homeless and Employment Training for the Armstrong County Community Action Agency in Kittanning, Pennsylvania; and Charles Atkins, who is Commissioner of Public Welfare for the Commonwealth of Massachusetts.

We are glad to welcome you both back today. It is especially nice to see you, Chuck. You have been rather busy this last year, and we are glad to have you here.

Mr. **Atkins**. Thank you, Mr. Chairman.

The **Chairman**. Ms. Wright?

## STATEMENT OF PATRICIA WRIGHT, ARMSTRONG COUNTY COMMUNITY ACTION AGENCY, KITTANNING, PA; AND CHARLES ATKINS, COMMISSIONER OF PUBLIC WELFARE FOR MASSACHUSETTS, BOSTON, MA

Ms. **Wright**. Good afternoon.

My name is Patricia Wright. I am the Director of Homeless and Employment Training Programs for Armstrong County Community Action.

Over the last three years, our program has had an employment readiness class to help people to upgrade their interviewing skills so that they would be able to present themselves well on an interview. Of the 200 or so people who have participated in these classes, we have been able to assist more than 65 percent of them to gain employment. Consistently, we have found that many of the employers were not willing to pay more than minimum wage and provide health benefits and child care for these employees.

The reasons that they give us have been: they would have to raise the price of the products that they sell; they would be forced to lay off some of their employees, or they could not continue in business because of a lack of profit.

You have heard about personal experiences from the previous witnesses. I would like to say to you that these experiences are not unique with these people. I have talked to many people who are working for minimum wage who have no medical benefits, are not eligible for any type of assistance of any kind, and yet they continue to work and struggle.

I have also talked to many families who have tried, but due to circumstances over which they had absolutely no control, they have found that it was impossible for their families to remain intact living on a minimum wage salary. Some were forced to go on the welfare rolls, which was able to provide a larger income than they could make on a minimum wage and also provided them with a medical assistance card.

The loss of self-esteem and the necessity of explaining all expenditures to an agency has caused many families so much stress that they have broken up.

This loss of self-esteem is only the tip of the iceberg. The people we are talking about here must explain to their children why there are so few or no gifts at Christmas time or birthdays. A lack of money also contributes to a segregation of these children from normal school activities children participate in, such as parties, because a gift cannot be purchased and treats cannot be provided for the classmates in the schoolroom. Even the children experience the fact that they are different, and their desire to socialize decreases as their desire to keep from being hurt increases.

In families where both husbands and wives are working, and both are receiving minimum wage, it is possible that their combined paychecks are not enough to pay the cost of their food, rent and utilities. These people just cannot see their way clear to ever get ahead; there is always something that is left unpaid. Even with the strictest budget and the most careful person, an unforeseen crisis can occur, and when this happens it takes two months, sometimes more, to make up for the money that they need to use at that time.

This crisis could be anything. It could be a sick child, a sick parent, an auto repair or utility bill that is unexpectedly high due to the cold months.

Most of these families do not have things that we take for granted. They do not have medical insurance because there is no money to pay for it. And most of the jobs that pay minimum wage do not provide for that benefit. These people are waiting longer to take their children to the doctor or to the hospital. They have to search longer to find a doctor who will allow them to make payments, or a doctor who will accept the medical card that they have.

I would like to give you an example of a family that is trying to survive on a minimum wage income. First, I would like to tell you that this is what we hear so often called the traditional family. There is the father, two children, and the mother. The father is working for minimum wage. They are very careful with their spending. He said to me that they watch every dime. I asked him where the dimes were going, and he showed me the bill for a minimum order of heating fuel. That was $95. Of course, he needed to pay that one; he had to keep his family warm. He was behind in his rent because he was making payments, since he was not able to pay the full amount of rent. He had an electric bill, and he had not been able to pay all of that; the electric bill is now $141.16. Again, he has been trying to make payments, but he is still unable to get that bill completely paid off.

We looked at the amount of money he was taking home, the amount of the bills that he had and the cost of food and clothing for his family, and we wondered if he would not be better off receiving public assistance. He said he probably would, but he is a man, and it is his responsibility to support his family.

The stress of this situation has caused his wife some emotional problems; it has led to her hospitalization. Of course, this also led to another bill that he needed to pay.

Many of the minimum wage jobs have no benefits. Not only don't the employees have medical insurance, they do not have sick days, vacation time, or other benefits that we have and take for granted. If they are off work for any reason, that just cuts into the money that they have to work with.

One of the things that we have found happens with so many of these people is that because they cannot pay the bills, because they cannot pay the rent, they become our hidden homeless. They are the ones that are living in doubled-up family arrangements or living in with friends because they have no place to go.

One of the things that parents find very important to them is affordable child care. Parents, like Renee, who have children in daycare centers not only have the cost of child care, but also the expense of getting the child to and from that care. Because traditional daycare programs are only available from six a.m. to six p.m., and parents who are working shifts find that they cannot put their children in our current daycare programs. What they have to do is find private daycare, and that is more expensive.

It is a very large drain on the family's budget, and families care about what happens to their children. Parents on minimum wage care about what happens to their children. And they cannot work and do their very best if they are not sure who is taking care of them.

Another problem that occurs is that even when a family takes part of their income and sends their children to daycare, there is a waiting list. If I have a job open for you today, and you tell me you cannot get your child into daycare or you cannot get affordable daycare for two months, I am going to hire someone who can.

We live in a rural area that does not have ample public transportation. Therefore, when people look for employment, they must be able to provide their own transportation. That means before they can get employment, they have the cost of a vehicle, upkeep, gas, oil, and insurance, and any needed repairs. It is impossible to take a job that requires a person to drive 15 to 20 miles for an hourly wage of $3.35. It is not that people do not want to work; it is that they cannot afford to.

These are some of the situations that we encounter every day. There are no easy answers, and it is very difficult to tell people who come to us seeking help and solutions that we are limited in what we can do to assist them. We try to provide options and give them the help that we have available. The solution does not lie with us. It is up to the people that we elect to look out for our interests and to provide fair and equitable solutions so that we may all have the opportunity to enjoy the freedoms that are guaranteed to us.

The CHAIRMAN. Very good. Thank you.

[The prepared statement of Ms. Wright follows:]

## PREPARED STATEMENT OF PATRICIA WRIGHT

My name is Patricia Wright. I am the Director of Homeless and Employment Training Programs for the Armstrong County Community Action Agency. Over the past three years I have taught an employment readiness class to help people upgrade their interviewing skills so that they would be able to present themselves well at an interview. Of the two humdred or so people that have participated in these classes, we have been able to assist more than 65% of them gain employment. Consistently we have found that many of the employers are not willing to pay more than minimum wage and provide health benefits and child care. The reasons have been; 1. they would have to raise the price of the products that they sell, 2. they would be forced to lay off some of their employees, 3. they could not continue in business because of a lack of profit.

You have heard about personal experiences from the previous witnesses. I would just like to say that these experiences are not unique to these people. I have talked to many people that are working for minimum wage that have no medical benefits, aren't eligible for any assistance of any kind and yet they continue to work and struggle. I have also talked to many families that have tried, but due to circumstances over which they had no control, they have found that it was impossible for their families to remain intact living on a minimum wage salary. Some were forced to go on welfare which was able to provide a larger income and a medical assistance card, provided by the Department of Public Assistance. The loss of self esteem and the necessity of explaining all expenditures to an agency has caused many families to break up. This loss of self-esteem is only the tip of the iceberg, the people we are talking about here also must explain to their children why there are few or no gifts at Christmas time and on birthdays. A lack of money also contributes to a segregation of the children from the normal activities children participate in - attending parties, because a gift cannot be purchased and treats cannot be provided for classmates in the schoolroom. Even the children experience the fact that they are different and their desire to socialize decreases as their desire to keep from being hurt increases.

In families where both husband and wife are working and both are receiving minimum wage it is possible that their combined paychecks aren't enough to pay the cost of food, rent and utilities. These people just can't see their way clear to get ahead. There is always something left unpaid. Even with the strictest budget and the most careful person, an unforeseen crisis can occur and when this happens it takes two months or more to make up for the money that was needed at that time. This crisis could be a sick child or parent, an auto repair or a utility bill that was unexpectedly high, due to a very cold month. Most of these families don't have things that we take for granted such as medical insurance because there is no money to pay for it and most of the jobs that pay minimum wage don't provide that benefit. These people are waiting longer to take their children to the hospital, they have to search longer for a doctor that will allow them to make payments and not ask for the payment on the day that service is rendered.

I would like to give you an example of a family trying to survive on a minimum wage income. First let me tell you that this is what we hear so often called the traditional family. There is the father, two children and the mother. The father is working for minimum wage. They are very careful with their spending, he said that they are watching every dime. I asked him where those dimes were going and he showed me the bill for a minimum order of heating fuel, the cost of that fuel was $95.85, he needed that to keep his family warm. He was behind in his rent because he had been making payments since he was not able to pay the full amount. His electric bill was $141.16, he again had been making payments, unable to pay that full bill. We looked at the amount of money that he was taking home, the amount of bills that he had and the cost of food and clothing for his family and wondered if he would be better off receiving public assistance. He said that he is a man and it is his responsibility to support his family. The stress of this situation has caused his wife some emotional problems that have led to her hospitalization.

Many of the minimum wage jobs have no benefits. Not only don't the employees have medical insurance, they also don't have any sick days, vacation time, or other benefits that we have. If they are off work for any reason, that just cuts into the money that they do have to work with.

One of the things that parents find very important is affordable child care. Parents, like Renee, that have children in daycare centers not only have the cost of the child care but also the expense of getting the child to and from that care. Because the traditional daycare programs are only available from 6:00 A.M. until 6:00 P.M., parents that are working shifts find that their child care costs are more expensive because they cannot use the subsidized care that is available in many areas. Again, this becomes a large but very important drain on the family's budget. Another problem that occurs is that even when a family takes part of their income to send their children to day care, there are often no openings and the parent must then seek alternative babysitting services that may or may not be as reliable. When a service is not reliable, the parent's job then becomes at risk.

We live in a rural area that doesn't have ample public transportation. Therefore, when people look for employment, they must be able to provide their own transportation. This means the cost of a vehicle and the money for upkeep; gas, oil, insurance and any needed repairs. It is impossible to take a job that requires a person to drive 15 or 20 miles for a hourly wage of $3.35. It isn't that people don't want to work, it is that they can't afford to work for minimum wage.

These are just some of the situations that we encounter everyday. There are no easy answers and it is very difficult to tell people who come to us seeking help and solutions that we are limited in what we can do to assist them. We try to provide options and give them the help that we have available. The solution does not lie with us, it is up to the people whom we elect to look out for our interests to provide fair and equitable solutions so that we may all have an opportunity to enjoy the freedoms that are guaranteed to us.

The CHAIRMAN. Do you think some people just stay on welfare because it is easier than working?

Ms. WRIGHT. No, I do not think the majority of people do that. Of course, you may find some who do that. I think one of the things that happens is that there are very, very few people doing that, but whenever we start to look to give examples, we search and search until we can find someone that we can say these people are struggling to stay on the welfare rolls instead of struggling to get off.

The CHAIRMAN. But people say they can get care for their children, and they can receive health benefits, so why should they work?

Ms. WRIGHT. Because they have the same pride that we do. They want to work.

The CHAIRMAN. What is the real danger of the growth of homelessness among this group that you describe? Is that increasingly a real problem for many people now?

Ms. WRIGHT. Yes, it is. It has increased, and it is increasing daily. And again, one of the things that we see that the general public does not see is that there are so many of our hidden homeless. When you think of "homeless", you think about the people who are on the park benches or out on the sidewalks. I am not talking about those people. I am talking about the ones who have had to move back in with family, who are doubled-up with friends, where there are nine, ten, twelve people living in one house simply because they cannot afford the rent.

The CHAIRMAN. Some of your clients mentioned that they received job readiness training in their discussions with my staff. Can you tell me what that is?

Ms. WRIGHT. Yes. We do an employment readiness training in our agency where we stress things with the people that we work with, like building self-esteem, assertiveness, interviewing skills; we help them to write resumes; we help them to learn basic data entry on the computer, so that they can go out and have something to offer whenever they go out into the employment world.

The CHAIRMAN. What does that cost, generally? Do you know, or is there any way that you can determine what that cost is, approximately? If you could give us some idea about that, it would be very, very helpful.

We are going to go to our next witness, Chuck Atkins. Welcome, Chuck. We have given you an introduction, and we look forward to your testimony.

Mr. ATKINS. Thank you, Mr. Chairman.

It is a pleasure to be back before your committee. Some of us had been hoping to make it down here last week for the inauguration, but as you know, a funny thing happened on the way to the polls.

I am honored, however, to have the opportunity to update you on the progress we have been making in Massachusetts. This certainly is a very serious issue, and the problems that you are addressing are something that I commend you for.

With your permission, Mr. Chairman, I would like to dispense with the formal reading of my testimony and submit it for the record. I would also like to ask that we be able to submit for the record a copy of the "Access" Report that I refer to in my testimony that the American Public Welfare Association put out last October on their proposal for health care.

What I would like to refer to is a set of charts that I believe you have received that I would like to use to summarize my testimony and bring you up-to-speed as to what has been going on in Massachusetts. It is just a set of about seven charts, and I will go through it just to summarize what I have said in my written statement.

The cover of the charts, Mr. Chairman, "working together to find a route out of poverty", is literally the mission of the Welfare Department in Massachusetts. We have done something that is rather strange in welfare systems, but something terribly important, we believe, which is to say to our 2,500 caseworkers and our 60 local offices across the State, that while their legal job is to put people on the welfare rolls, that people who are legally entitled to benefits are to be given those benefits in a timely and accurate fashion; that the number one priority of our caseworkers is to help people get off the welfare rolls and out of poverty.

What we have put together in Massachusetts, based upon our experience over the past five years, is what we hope is a fairly comprehensive program to offer people not just education and training through the ET Program, but health care and housing and child support services as well, because we have found that you have to really put all those ingredients together if we are going to get people off the welfare rolls.

We have managed to succeed in doing that in Massachusetts by taking our 2,500 caseworkers and not having them be the "bank tellers" that the welfare system was in danger of becoming in this country, but really turning them into caseworkers to provide the kind of support needed to get out of poverty.

Chart 1 is a progress report, if you will, as to how the ET Program is doing. As you well know, we set for ourselves a goal when we started the program about five and a half years ago of placing 50,000 of our clients into jobs over that five-year period. We were not sure it could be done. As you well know, no other State had managed to do a successful welfare-to-work program before of that magnitude. We had tried twice before in Massachusetts, once in 1977 and again in 1982, with workforce type programs, and they had both failed. So this effort that begin in 1983 with the goal of placing 50,000 people over a five-year period into jobs was something that we knew was an ambitious goal, but we had no idea how successful it was going to be.

As Chart 1 shows, we have beaten that five-year goal. We have now placed over 57,000 of our clients into jobs. And to me what is astonishing is that figure that is shown in the middle of Chart 1, which is that 75 percent of all those job placements are off welfare today, some of those people for as long as five years.

Chart 2 tries to answer the question of what about the 25 percent who either never left the welfare rolls, or returned to welfare; what about the ones we have not been able to reach yet. And what Chart 2 shows are the three major reason why ET graduates have returned to welfare, and I think it ties in exactly with what you have been hearing today and with what your committee is looking at.

The number one reason why people are returning to the welfare rolls is that the wages are too low. Quite clearly, at least in our experience, a minimum wage, even a job paying $3.50 or $4.00 an hour, is not going to be enough for that average welfare family in this country, a mother and two children, to make ends meet. And again, we found the number one reason that people who have graduated from ET come back on the welfare rolls is that we have not done our job of helping them find a job paying enough for them to support their families. The actual percentage is 29 percent; that is the major reason why people are coming back on welfare after graduating from ET.

The number two reason is lack of health insurance—another problem that you have very adequately defined. And it is an obvious one. If a single mother takes a job without health insurance provided by the employer which, as you well know, is all too often the case for the working poor in this country—with some 37 million uninsured Americans, two-thirds of whom are working out there—the mother, if she is the sole supporter of her kids, as is the case with anyone on welfare, and if the kids get sick and the mother has no health insurance, she often has no alternative but to return to welfare in order to qualify for Medicaid to provide health care coverage for her children. And, lo and behold, we found that the second major reason ET graduates were not able to stay out there in the world of work was that lack of health care.

The third problem was lack of child care. As you know, under ET, we do provide child care for up to a year after people leave the welfare rolls, but unless they can work out their child care arrangements, again, by definition, since what we are talking about on welfare is a single mother with two children, she is going to be back on the welfare rolls unless we provide that daycare.

Chart 3 and the next three charts try to show what we have done in Massachusetts to address these three major problems. First of all, as to that problem of the wages being too low, Chart 3 shows how we are doing today. Today I am very proud to be able to tell you that in Massachusetts, the average salary from a full-time job that our clients are getting through ET is today $15,000 a year—obviously, substantially more than the minimum wage would provide. That works out to about [illegible] an hour.

The contrast is shown on Chart 4. It is twice what we can give in the way of the maximum welfare benefit to that average family of three, that mother and two kids. So we have made it economically worthwhile for that mother to leave the welfare rolls and go to work.

As you know, Mr. Chairman, we have done that in Massachusetts under the ET Program through something called performance-based contracting, which your JEDI legislation which passed the Congress last year in part used. I commend you and the committee for the leadership role you played in getting that legislation through, because I think that kind of performance-based approach to our education and training system is terribly important—a bottom-line approach of saying we will pay you once you place someone into a job, a job meeting certain quality standards. That is an important notion to have in government, it seems to me.

Chart 4 addresses the daycare issue. This chart actually tells me two things. As you know, by Federal law, until the new welfare reform bill that the Congress passed last year takes effect, the work incentive law, the WIN Program, is still in effect, which is that women who have children under the age of six are exempt by Federal law from even having to register for each State's WIN Program.

ET, as you know, is part of the WIN Program, and the rules over the past five years for ET have been those WIN registration rules, which again, is that anyone with children under the age of six on welfare in Massachusetts did not even have to register for the ET Program.

What this chart shows is that we have had a very substantial response from that group of our clients who do not even have to register for this program to participate in ET. That tells me two things. One, there is nothing magic about how old the children ought to be when the mother is ready, willing and able to go off and go to work. That ought to be left up to the mother to decide. Two, we must have a good product, because people are buying our product who do not even have to register for the program. But it does show you the importance of daycare.

As the chart shows in Chart 4, over half our budget goes for daycare.

Chart 5, the health care problem. As you know, last April Governor Dukakis signed into law the Nation's first universal health insurance program. It will take full effect, as you know, Mr. Chairman, in 1992, when all employers in Massachusetts, with some small exceptions, will have to provide health insurance to their employees. Until that law takes effect, what we have done in the Welfare Department is to implement the first phase of that law, that we call "CommonHealth". Under the State law, we are able to offer health care benefits for up to 24 months, in particular to people who are leaving welfare for jobs without health insurance. If people take jobs through the ET Program, we can provide them health care coverage. Many of our clients do not even have to wait and go through ET; they can go off and take a job on their own—and we encourage that, since we have limited Government resources to spend on ET.

For those women who are leaving the welfare rolls and taking jobs without health insurance provided by their employer, we can through CommonHealth through that new health insurance law provide coverage with State funds for up to two years after they leave the welfare rolls.

Clearly, that is not the entire answer to that problem, but we hope by 1992, when all employers in Massachusetts have to provide health insurance, that we will have solved that problem as well.

Chart 6 is a progress report on how we are doing on this new CommonHealth program. We have enrolled 10,000 people to date. Sixty percent of those have moved from welfare to work.

Chart 7 is the last chart I wanted to share with you, since we have discussed it before. It shows that, as you know, these programs not only help people, but they save money. And one of the things we are very proud of is that we think these programs can help reduce the Federal deficit. The reason for that is, as you well know, Mr. Chairman, the Federal Government puts up most of the money in this country for our welfare programs, AFDC, Medicaid, and of course, 100 percent of the food stamp program. We have now been running the ET Program long enough in Massachusetts so that we have some results to show, and what Chart 7 shows is that since we began the program in October of 1983, after we deduct all program costs, we have saved over $280 million in either reduced welfare benefits or taxes, since these people who are now at work have become taxpayers themselves.

That in sum, Mr. Chairman, is an overview of what was in my written testimony, and I would be glad to answer any questions.

[The prepared statement of Mr. Atkins (with an attachment), and the charts referred to in text follow:]

# Statement of Charles M. Atkins, Commissioner of the Massachusetts Department of Public Welfare

Before the Committee on
Labor and Human Resources
United States Senate

January 26, 1989

Mr. Chairman, members of the Committee, thank you for inviting me to testify before you today. Over the past six years during my tenure as Commissioner of the Department of Public Welfare in Massachusetts, I have appreciated the opportunity to share with members of Congress the success story of our Employment and Training Choices, or "ET" program. Since its inception nearly 5 1/2 years ago, ET has enabled over 57,000 welfare clients in Massachusetts to gain employment. An astounding 75% of these clients are still off welfare today. I have described the structure and operation of the ET program in previous testimony before this Committee. Today, I would like to comment on what we have learned through 5 1/2 years of experience with ET -- in particular, the need for child care, health care and a living wage in order to provide a real route out of poverty.

The primary goal of the Massachusetts Department of Public Welfare is to help families on welfare find a permanent route out of poverty, by extending economic opportunity to welfare recipients, particularly those who face serious barriers to self-sufficiency. Today, the ET program has become the cornerstone of the Department's out-of-poverty mission. ET has offered positive proof that given access to education, training and support services that enable welfare clients to obtain good jobs and to become economically self-sufficient, most welfare clients will choose employment over welfare. After deducting all program costs, ET has saved more than $280 million in reduced welfare costs and increased tax revenues. Since the program began, the average length of stay on AFDC has declined by more than 30%, and the number of families on AFDC five years or more has declined by nearly 38%. And despite the fact that we have increased benefits by 54% over the past six years, the AFDC caseload has actually decreased by 5% -- thanks to ET -- over this same period of time.

A significant aspect of ET's contribution to the Commonwealth has been its timeliness in educating, training and transitioning dependent residents of the state to meet the changing needs of its employers. Over the past five years, the Massachusetts economy experienced the very same labor shortage projected for the U.S. economy in future years. ET, with the help of our Private Industry Council and Job Training Partnership Act partners, has helped meet labor force requirements by broadening participation in the skilled labor force by previously unemployed Commonwealth residents. The ET program has been successful because it recognizes that the local and regional labor force has specific and changing needs that can be matched by the program.

The ET program has also been successful because it recognizes that welfare clients have a wide variety of needs which must be addressed before, during, and after participation in the program. In order to participate successfully in ET, clients often need essential services such as transportation and day care for their children. Of ET placements who are back on welfare, a survey conducted by the Department indicates they have returned for several reasons, including:

- job-related problems, especially low wages (29%);
- problems with health care, including lack of health insurance (24%); and
- inadequate transitional services including affordable child care (23%).

In order to make a permanent break from the cycle of poverty, welfare clients need access to continued child care, affordable health care for themselves and their families, and a good living wage. The rest of my discussion today will focus on these very points.

## The Need for Child Care Services

First, allow me to explain why we are certain that services such as child care are so critical. The statistics speak for themselves. Since 1983, the percentage of the AFDC caseload in Massachusetts headed by unwed, single parents has risen from 37% to 56%. Over two-thirds of all AFDC families include young children. If we examine client participation in the ET program, we find that 57% of current ET participants have children under the age of six -- a dramatic increase from 18% when the program first began in 1983. While welfare mothers desperately want to work, they will not neglect their children in order to enter the workforce. The ET program's substantial commitment of resources to child care -- nearly half of the ET budget -- is one Massachusetts has willingly made because we also know that young single parents are the group most at risk of becoming long-term welfare recipients.

Each month, almost 10,000 children whose parents are participating in ET, will participate in Massachusetts' day care voucher program. This system provides quick access to needed child care. Unlike traditional subsidized daycare programs, ET participants do not have to add their child's name to long waiting lists. Parents must simply use licensed day care providers and voucher management agencies help them find child care. We are also committed to continuity of care, by allowing ET graduates to keep their daycare vouchers, as long as they are income eligible and up to one year after they have left the welfare rolls, until a subsidized contracted day care slot becomes available. We believe this is critical to helping families leave the welfare system permanently.

## The Importance of Health Care

When we developed the ET program, Massachusetts addressed the first and most crucial obstacle to finding a route out of poverty -- lack of education and skills. But another serious stumbling block that can prevent a family from moving toward self sufficiency is the prospect of losing their medical coverage and the lack of affordable health care. Although only a small number of cases with prior ET placements return to welfare, as I mentioned earlier, one of the major reasons cited among the 25% of ET graduates who are not off welfare today is their lack of health coverage.

For many poor families, a desire to move from dependency to self-sufficiency is thwarted by the absence of affordable health insurance. Too often, the poor are forced to choose between taking a job and losing their health coverage or staying on welfare to continue their Medicaid benefits.

Many entry level jobs simply do not provide health coverage. Nearly seventy-five percent of the people without health insurance in Massachusetts are working people and their children. They are uninsured because their employers do not provide health coverage. Yet escalating costs have put health services and individual insurance coverage out of the financial reach of many workers. Lack of insurance means little or no access to preventive or routine care. Not poor enough to qualify for Medicaid, but without the ability to purchase insurance independantly, many of the uninsured rely on expensive emergency room care, often putting off necessary services until

a medical crisis calls for more intensive services.
We have begun to address these problems in Massachusetts. On April 21, 1988, Governor Dukakis signed into law the Massachusetts Health Security Act, the nation's first universal health coverage law.

The Massachusetts approach is neither an entirely voluntary approach nor strictly government sponsored health insurance program. Instead we are implementing a public-private partnership that builds on the existing, employer-based private insurance system.

The Massachusetts Health Security Act initially encourages and later requires employers to contribute to health insurance for their employees. Persons who are not covered by employers will be able to obtain health insurance through a number of new programs and through a new state agency at state-subsidized rates. All Massachusetts residents will have health insurance available to them by 1992.

On July 1, 1988, the Department of Public Welfare implemented the CommonHealth program, the first phase of the state's universal health care law. Modelled after ET, CommonHealth helps welfare families move toward self-sufficiency by providing up to 24 months of transitional coverage to families leaving AFDC for employment, but who have no access to employer-sponsored health insurance. The program extends the services of health maintenance organizations (HMOs) and other managed care programs to former welfare clients and is also available to disabled adults, children, pregnant women and children under five years old.

In just six months since the program began, nearly 10,000 people have been served under CommonHealth -- 6,000 of whom left our welfare roles to go back to work. Like ET, this program will save taxpayers' money as it reduces the need for uninsured individuals to resort to public assistance programs such as Medicaid to pay for their health care. We can now offer welfare clients an incentive to go to work, even if the employer does not yet offer health insurance. In Massachusetts, welfare mothers are no longer forced to choose between employment and health care for their children.

## The Importance of a Living Wage

Because the goal of ET is to provide clients with the means to escape poverty permanently, it is essential that the jobs in which clients are placed pay them a good living wage. Consequently, the Department sets very high performance standards for its training and job placement contractors. The current quality standard for payment for a job placement through ET is a fulltime job with health insurance which pays at least $12,000 a year, or $14,000 without health insurance. As a result, the current average annual salary from full-time jobs obtained through ET is $15,000, more than twice the maximum amount of AFDC benefits in Massachusetts. In FY89, we expect to place 12,000 AFDC recipients into quality jobs through ET.

## Recommendations

I believe that many of the policies and programs that we have shown to be effective in Massachusetts can be adopted elsewhere in the nation. Before I describe several initiatives that I believe are needed on the national level, I would like to commend Congress for having the foresight to adopt Welfare

Reform legislation last year. The Family Support Act of 1988 tackles some of the problems with our present welfare system. In addition to encouraging states to adopt "welfare-to-work" programs like ET, the Act provides added federal revenues to finance day care services for welfare recipients and transitional day care and medical benefits for a year when individuals leave welfare for work.

Another very important feature of the Family Support Act of 1988 is its call for a study of the "Family Living Standard." My fellow human service administrators and I, under the auspices of the American Public Welfare Association, have been seeking policies which would require a nationally mandated, state-specific standard for assistance based on a uniform methodology for calculating actual living costs. If we are to protect low-income families, we must provide adequate levels of support after they transition into the workforce.

While I believe that the Family Support Act will assist us in our efforts to help the poor become self-sufficient, much more is needed if we are going to provide real employment opportunities for welfare recipients and the working poor. Specifically, there must be national policies and programs to help match training and placements to labor force needs, provide access to universal health insurance, promote the provision of affordable day care, and encourage a living wage.

The working poor and those striving to be independent of the welfare system need policies and programs that guarantee their access to health care. Families on welfare should not have to make a choice between work and health coverage and workers should not be reduced to economic dependence or medical indigence by their lack of health insurance. This is a matter of economic necessity, as well as equity. The nation needs a healthy and productive workforce.

Every American should have access to health care. The statistics on the uninsured in this country are troubling --

some 37 million Americans lack any any health insurance coverage -- two-thirds of whom are members of families in which at least one family member is working fulltime.

I applaud the Committee, especially you Mr. Chairman, for proposing legislation last year that would have begun to address this problem. S. 1265, "The Minimum Health Benefits for All Workers Act of 1988," would have ensured that full-time workers and their dependents have the health protection they deserve by requiring employers to provide health coverage. Such legislation deserves the full support of Congress.

I believe, as my colleagues across the nation do, that national policies to address the problems of both the non-working and working uninsured are needed. In a recent report published by the American Public Welfare Association, entitled "Access," state human service executives propose two complementary policies to provide broad but differentiated coverage.

- First, employer-sponsored health insurance for all employed individuals and their families with a basic package including hospital and physician services; prenatal, well-baby and well-child care; and diagnostic and screening tests. (Additions to this basic package such as prescription drugs, dental services for children and eye care will be added at a later date.) For small businesses, coverage would be provided through regional insurance pools offering premium rates equal to those available to large firms.

- Second, restructured Medicaid programs to cover all nonworking individuals.

This dual approach provides access to health care to all the uninsured, making it both a public and private responsibility.

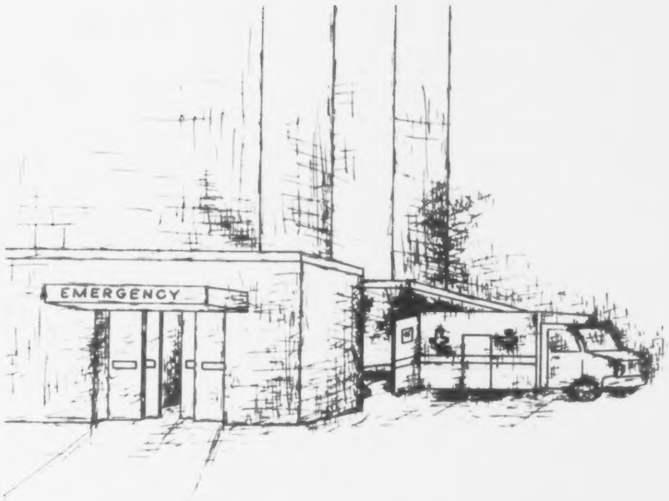
You may note that I did not comment on another health care issue of critical importance today, namely the issue of long-term care. After serving longer than any Massachusetts Welfare Commissioner in recent history, I have come to realize just how critical it is for us to develop adequate long-term care strategies to address the health care needs of the elderly. The costs of long-term care have simply become too much of a burden for the elderly, their families and taxpayers. We must develop creative cost-effective approaches to provide long-term care. Because of my personal commitment to this issue, when I leave state government on March 1 to return to the private sector, I will be heading my own company to develop alternatives to nursing home care. At the national level, I am hopeful that Congress will accept the challenge of developing long-term care legislation -- like the Lifecare bill you introduced last year, Mr. Chairman -- to begin to offer the elderly the long-term services they deserve.

The expansion of child care opportunities for working families is also vital to the well-being of families and to economic growth. As has been demonstrated in Massachusetts, providing affordable child care is critical for working poor families as well as those striving to become economically self-sufficient. It is important that we reassess national policies to enhance the supply, quality and affordability of child care.

There must be a stronger federal role for the provision of child care. The bipartisan interest in this issue last year is deeply encouraging. The Act for Better Child Care (ABC) sponsored by Senators Dodd, Kennedy, and other members of this Committee during the last Congress and reintroduced this week, represents an important step toward our goal of a national public/private daycare partnership. I hope you will take action on this and other child care initiatives in this session of Congress.

Let me conclude my remarks by emphasizing the importance of providing workers a good living wage. I have already mentioned the premium that Massachusetts puts on placing ET graduates into good paying jobs. Furthermore, Governor Dukakis has supported congressional efforts to increase the minimum wage. Massachusetts has already adopted a higher minimum wage than that set by the federal government. This affords workers in lower pay scale jobs the opportunity to maintain a better living wage. I would hope Congress continues to explore proposals to increase the minimum wage.

Today's working poor and those on welfare may be the mainstay of tommorrow's workforce. The future productivity of this country may well depend on our willingness to make investments in this population. Members of the Committee, that concludes my remarks today. I will be happy to answer any questions you may have.



# ACCESS

APWA

. . . to health care for America's poor families and children is a human necessity, and an economic one. Health care is critical to strong, stable, self-sufficient families. It is critical for children to grow and thrive. National policy must assure access to health care for America's poor families and children. What follows are recommendations to provide access to basic health care coverage for all Americans.

# INVESTING IN POOR FAMILIES AND THEIR CHILDREN: A MATTER OF COMMITMENT

A policy development project of

The American Public Welfare Association
The National Council of State Human Service Administrators

Final Report Part I: *One Child in Four*
Final Report Part II: *Access*

Stephen Heintz, Commissioner
Connecticut Department of Income Maintenance
Chair, Matter of Commitment Steering Committee

October 1988
Washington, D.C.

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The American Public Welfare Association is a 58-year-old nonprofit, bipartisan association of agencies and individuals concerned with social welfare policy and practice. The Association's National Council of State Human Service Administrators represents the state cabinet-level officials charged with administering programs on behalf of low-income individuals and families.

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# Executive Summary

One out of every six American children has no health insurance, public or private. One child in four is born into poverty. Among poor children, one in three lacks health care coverage. Access to health care for the poor, and poor children in particular, has actually *deteriorated* in the last few years. Today in America poverty and poor health go hand in hand.

In January 1986, human service commissioners undertook a major review of public commitments to the nation's poor, a review demanded by the devastating statistics on childhood poverty. In November 1986, we released *One Child in Four*, a proposal for comprehensive reform of the nation's welfare system. By strengthening families and promoting self-sufficiency, we believe that poverty can be substantially reduced among American children and families.

The 100th Congress has taken the first steps toward comprehensive welfare reform, changing what has traditionally been an income maintenance program into a system that promotes individual and family self-sufficiency.

In *One Child in Four* we said that other efforts would be needed, including new national policies to assure access to health care for all Americans. The American Public Welfare Association's Matter of Commitment Steering Committee established the Access to Health Care Task Force to study this issue. This report represents the work of the Task Force.

For families to be strong and self-sufficient, for children to grow and thrive, they must have access to health care services. Today, however, an estimated 37 million Americans have no health insurance to cover their medical bills. They lack regular access to health care when it is needed. Although Medicaid provides coverage to certain of the poorest families, many other Americans have neither insurance through their workplace nor access to the protection offered by Medicaid.

**Human service commissioners bear a special responsibility to the nation's poor. We are charged with providing services and income assistance. We administer Medicaid programs for individuals poor enough to qualify for its benefits.**

**We understand the links between poverty, welfare, and access to health care. Today poor families seeking to leave the welfare rolls for employment face a disincentive in the eventual loss of Medicaid benefits. Too many cannot secure employer-sponsored insurance as they enter the workforce, nor can they afford to purchase coverage from the low wages they earn. Many former recipients are forced to leave their jobs and return to welfare in order to meet the health care needs of their children.**

This report of the American Public Welfare Association recommends two major strategies to assure financial access to primary health care services for poor uninsured children, families, and individuals:

## RECOMMENDATIONS

### I. For Workers and Their Families

A. We recommend employer-sponsored health insurance for all employed individuals and their families to cover (at a minimum) hospital and physician services; prenatal, well-baby and well-child care; diagnostic and screening tests. We recommend phasing in prescription drugs, dental services for children, and eye care as services in the minimum package at a later date. Very small employers (perhaps six or fewer employees) would be exempted.

B. We recommend the establishment of state or regional insurance pools to allow small businesses to offer health insurance at rates equal to those paid by large firms.

## II. For Nonworking Individuals and Families

A. We recommend restructuring Medicaid to cover all non-working individuals and dependents with family incomes up to 75 percent of poverty and family assets under $12,000 (excluding the home and other noncountable resources). This group should receive benefits currently covered in a state's Medicaid plan. This recommendation essentially eliminates categorical requirements for Medicaid coverage.

B. For those whose income is at, or above, 75 percent of poverty or whose assets exceed $12,000, we recommend that state Medicaid programs provide a minimum benefit package equal to the employer's basic coverage. For those with incomes from 75 to 200 percent of poverty, states would charge an income-based premium for the minimum benefit package.

These recommendations are incremental because they build on existing programs and methods, and comprehensive because they provide financial access for all of those currently uninsured. Like welfare reform, these proposals are critical *investments* in the future health and well-being of our citizens, our economy, and our nation. ■

# *Poverty, Children, and Health*

*The most disturbing findings of the 1986 National Access Survey involve the deterioration in access to medical care among the nation's poor, minority, and uninsured citizens.... These changes are real and have a serious impact on the segments of the American population least able to take advantage of the various new forms of health care delivery, or to pay for the care they so evidently need.*

—*Access to Health Care in the United States: Results of a 1986 Survey,*
the Robert Wood Johnson Foundation

One out of every six American children today has no health insurance, public or private. Among poor children, one in three lacks health care coverage. From 1980 to 1985 health insurance coverage for poor children under the age of three declined *by 34.9 percent* according to a recent Children's Defense Fund study. For these children there is no preventive health care; no well-child visits to the pediatrician. There is no access to health care at all until the most dire emergency, and then children are treated as "charity patients" if they are treated at all.

Clearly poverty and poor health go hand in hand. As the American Public Welfare Association reported two years ago, one child in four is born poor in America today. The data on relative poverty by age group are disturbing, to say the least. That children have become the most economically disadvantaged segment of the population says more about the country's values than any other measurable index.

- The U.S. currently ranks 19th in infant mortality among the industrialized nations. In too many of our cities the infant mortality rate rivals that of Third World nations.
- A half million American children suffer from the effects of malnutrition.
- More than a third of the nation's homeless population consists of families with children.

## Consequences

Lack of adequate health care early in life has severe, lifelong impact. The pregnant American woman who cannot afford prenatal care is more likely than a counterpart receiving care to give birth to a premature or low birthweight baby. She may suffer severe complications herself. Infants born into poverty are twice as likely as their nonpoor counterparts to suffer low birthweight. These newborns face a significantly greater risk of infant death. If they survive the first year of life, they face a greater risk of physical, developmental, and learning disabilities.

Children who begin life ill or disabled suffer in other ways. They cannot learn well in school. They are vulnerable to lifelong economic dependency. They risk long-term dependence on their families, on other private resources, and, ultimately, on public institutions. Today too many American children start life with disabilities that compound, and are compounded by, poverty.

The knowledge that many of the health problems facing poor children can be avoided deepens the tragedy. Inadequate prenatal care, low birthweight, and infant and child mortality are, in large measure, preventable. The issue has less to do with medical science, and has everything to do with the social and economic costs we are willing to bear. Current policies do provide public dollars to pay the substantial costs and consequences of inadequate health care when it results in disease and disability. Yet we have not invested the resources necessary to assure that children begin life healthy and that families remain healthy.

We have a health care system that *can* provide for the health of all of the nation's families. We must assure that families have access to that system.

With Medicaid, the public health program for the very poorest Americans, progress has been made in improving the health of poor children and their families. But children of the working poor and those whose parents are seeking to become independent of the welfare system have not had access to Medicaid. For all its gains, Medicaid has not solved the problem of *financial access* to preventive and acute health care services for all poor children. There are significant gaps in the health care safety net that demand attention.

Access to health care turns on the key issue of access to affordable health insurance, and *affordability* is a major barrier

*Inadequate prenatal care, low birthweight, and infant and child mortality are, in large measure, preventable. The issue has less to do with medical science, and has everything to do with the social and economic costs we are willing to bear.*

for low-income families and individuals. While most U.S. citizens with health insurance receive health care coverage through employer-based benefit plans, and the very poorest are covered by Medicaid, a significant percentage of the population under age 65 has either no insurance, or inadequate insurance.

## The Uninsured

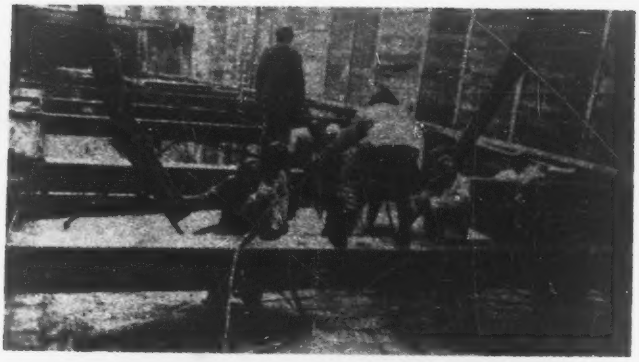
There is general agreement that 37 million children and nonelderly adults lacked any health insurance coverage for all or part of the year in 1985. That is fully 15 percent of the population, and the number has grown by a million each year since 1979. Almost 20 percent of all children under 18 had no health insurance in 1985, a 16 percent increase since 1982.

*In actual numbers, and as a percentage of the workforce, the number of workers without health insurance is increasing.*

When the underinsured are added—those individuals whose terms of coverage such as deductibles and copayments preclude access to care when it is needed—the number jumps to 56 million, almost a quarter of the American population.

The sheer magnitude of the problem drives the need to address broader access to health care coverage. In actual numbers, and as a percentage of the workforce, the number of workers without health insurance is increasing. Though it is commonly believed that most of those without insurance are unemployed, that is not the case. In 1985 almost 75 percent of the uninsured were either employed, or dependents of wage earners. From 1982 to 1985 the number of workers without insurance rose from 13.9 million to 17 million, an increase of 22.5 percent.

The increase in uninsured workers is generally a result of changes in the economy and the types of jobs being created. The service sector, with historically low rates of employer-sponsored health coverage, is growing at a rate four times faster than other sectors. The Joint Economic Committee of Congress has documented that employment growth is occurring in low-wage, parttime jobs that rarely provide health insurance to the workers who fill them.



## The Health Care Marketplace

These workforce changes are juxtaposed against a health care industry in which rapidly escalating costs have rendered health services and individual insurance coverage financially out of reach of many workers.

Many individuals and families pursue care through emergency rooms and outpatient clinics because they do not have a primary care physician. These "medically indigent" individuals are those most acutely affected by health industry economics and lack of coverage. They also experience more frequent acute care needs and hospitalization. They have no affordable alternative, and this leads to episodic, crisis-oriented care for the patient, at great cost to individual hospitals and to society.

Health care industry economics are adversely affecting uncompensated or charity care, the traditional avenue to acute care service for the medically

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**CHICAGO—Iris Moore is chewing bubble gum and singing along with a song on the radio as she sits beside a tiny incubator in the intensive care nursery at Mt. Sinai Hospital, where sick babies are hooked up to tubes and wires and machines that help them breathe.**

**One of the infants belongs to her.**

**At 17, Iris is the oldest of five children in her family. Her mother is on welfare and her father unemployed. Dr. Ann West, a second-year resident at Mt. Sinai, remembers the sinking feeling that came over her when she delivered Iris' baby at about 11 p.m. July 21.**

**"I felt sad," West recalls. "You don't know how babies like this will do."**

**The baby, named Tina, was born too soon, 15 weeks premature. She weighed only 710 grams, slightly more than a pound and a half.** Premature deliveries are often the result of adolescent pregnancies and are all too common at Mt. Sinai, a teaching hospital in the impoverished West Side neighborhood of North Lawndale.

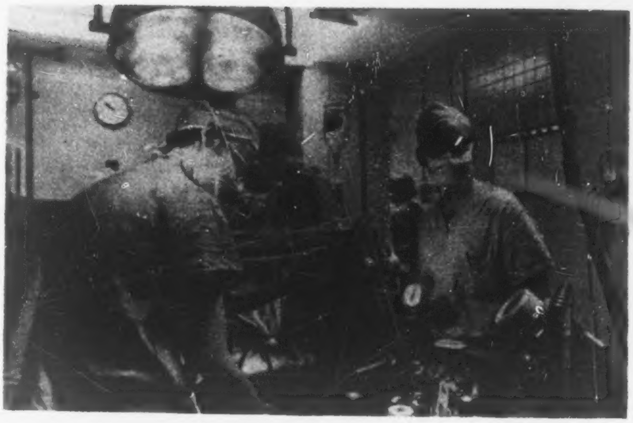
From the moment Tina Moore was born, her future was in jeopardy.

She depended on a whoosh of oxygen from a tube just so she could take her first breath. Medical complications resulting from her prematurity may leave her with respiratory difficulties, a susceptibility to Sudden Infant Death Syndrome and learning disabilities that might not be revealed until she is ready for school.

But she is vulnerable to much more.

Unless someone or something intervenes during the little girl's life, there is good reason to believe that Tina Moore will be condemned to repeat the same vicious cycle that took hold of her mother, her grandmother, and her great-grandmother, by having a baby during—or perhaps even before—her teens.

*—The Chicago Tribune*



indigent. The health care industry as a whole, hit by rapidly rising costs and externally induced cost containment and competition, is less willing to provide uncompensated care.

The volatile health insurance market is also a factor. Commercial insurers face increasing competition among themselves and with corporations that find it less expensive to insure their own workers. In the battle to keep premiums down, insurers are demanding higher coinsurance payments and deductibles for the insured. While this helps control hospital utilization, higher deductibles and coinsurance payments make it difficult, if not impossible, for individuals with low incomes to obtain coverage and make use of that coverage.

To remain competitive, insurers guard against "cost-shifting," the traditional practice of charging paying patients more in order to subsidize the cost of uncompensated care. Government programs, particularly Medicare, also guard against cost-shifting to keep costs down. In doing so, government and commercial carriers are responding to demands of taxpayers and the business community to reduce government deficits and the costs of health care.

The prohibition on cost-shifting, leaner reimbursements overall, and increased demands for uncompensated care are adversely affecting health care providers. Uncompensated care costs are large and growing: from $3.5 billion in 1980 to $7 billion in 1986. This burden falls on public and nonprofit institutions.

As a result, many hospitals where indigent individuals have traditionally received care have not survived. Today one-third of the nation's hundred largest cities have no public institutions offering free care, according to the American Hospital Association (AHA). The public must depend instead on nonprofit hospitals for uncompensated care. Institutions still offering such care have taken steps to reduce the amount of uncompensated care they provide. The AHA reports that one in every seven hospitals adopted specific limits on the amount of unreimbursed care they provided by 1983. Without a paying patient pool, a hospital cannot survive.

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LOS ANGELES—Bryan Redfield gets up from a kitchen chair slowly, awkwardly using his arms to help maneuver his partially immobilized lower limbs, the result of a horribly broken pelvis suffered in a car crash.

He struggles into the living room of his tiny West Hollywood, Calif., apartment and reaches for a plastic shopping bag stuffed nearly full with hospital and doctor bills.

The bills are a result of the Dec. 6, 1986, accident in which Redfield's car was broadsided by a drunken, uninsured driver. Redfield suffered such massive internal injuries that he needed more than 100 units of blood, spent seven months in three hospitals, and is only now learning how to walk again.

Rummaging through the bag with a slight, ironic smile, he finds what he is looking for: a single yellow sheet sent by one of the hospitals. It says:

"This is to notify you that you still have an outstanding balance of $165,737.41. As a convenience to you, payment of the balance can be made by cash payment, check, or by use of your Visa or Mastercard."

There is little Redfield can do except laugh. A sporadically employed actor before the accident, Redfield was earning less than the $2,900 annual minimum to qualify for Screen Actors Guild health insurance. The tavern where he tended bar offered coverage to its workers only if they paid for it themselves. But Redfield, 36 and otherwise healthy, could not afford the $90 monthly premium.

He is a classic example of someone who has fallen through the cracks of the American health-care delivery system.

—*Los Angeles Times*

*To a considerable extent health insurance coverage in this country is a matter of luck. Those fortunate enough to be employed by large, unionized, manufacturing firms are also likely to be fortunate enough to have good health insurance coverage. Those who have modest incomes, live in the South and West or in rural areas, and those who are black or minority group members are more likely to bear the personal and economic effects of lack of insurance and the consequent financial barriers to health care.*

—Karen Davis, chairman, Department of Health Policy and Management, Johns Hopkins School of Hygiene and Public Health, in congressional testimony, July 25, 1988

Jackie Flanagan, cloth cutter in a Baltimore rag factory, makes only $3.50 an hour, and wonders if work is worth the trouble. The monthly take-home pay, about $506, is only $25 more than she received from welfare.

She started the job last December. Five lively youngsters, ages 3 to 11, were driving her stir crazy, and the characters on the afternoon soap operas had become more familiar than real life.

"I watched those stories so much that I dreamed about them," said Jackie, 33, a round-faced woman who speaks almost in a whisper.

Her routine now is to rise at 5:30, lay out the children's clothes, wash and dress the littlest ones. Then she makes lunches before leaving the children with the next-door neighbor.

The subway takes her downtown. From there, she catches either the No. 23 or the No. 15 bus. Both go down Franklintown Road, and it is a short walk to the factory. At 8 a.m., she starts slicing rags from a bolt of cloth.

"I enjoy the work," she said, her voice betraying her uncertainty. "The people are nice. They let you go on break when you feel like it."

Pleasant or not, the job is hard on her budget. She pays her neighbor $50 a week for baby-sitting. She also pays $8.50 a week in carfare.

Worse yet, the job offers no health insurance. Because she is no longer on Medicaid, the state will soon take away her Medicaid card. Every flu and cough the children catch will mean less money for groceries.

"Marcia, the 3-year-old, has asthma," she said, the worry clear on her face. "I didn't know working would end up costing me money. Mentally, I want to keep working. Financially, I don't know if I can."

—*Los Angeles Times*

For the employed insured, these industry trends mean higher out-of-pocket expenses, reduced benefits, and increasingly limited access to care. For the medically indigent outside an employer group, there are fewer care alternatives as more facilities deny care or close down completely.

Some states have already taken action to assist hospitals with heavy uncompensated care caseloads, including increased Medicaid reimbursements to affected hospitals, mandated surcharges on hospital payments from private insurers, and the establishment of revenue pools to supplement payments to hospitals.

The fiscal strain indigent care places on workers, employers, providers, and government points to the need for a national policy that addresses the issue of more equitable financial access to health care, with costs of coverage distributed more equitably throughout society. Business spokesmen who have testified before Congress in recent months point to the *inequity* in the current health care marketplace. Businesses providing workers with health care coverage are, in fact, subsidizing businesses that do not provide such care through taxes that ultimately pay the bill for indigent care.

Health care costs and lack of insurance coverage result in a significant segment of the U.S. population living at risk of health emergencies without the ability to pay for care. The lack of coverage among both the employed, and the unemployed, threatens the ability of American families to be self-sufficient.

## Action to Address Poverty and Health Care

In November 1986, the American Public Welfare Association called for national action to reduce poverty among families with children through strengthening families and promoting their self-sufficiency. The report, *One Child in Four*, called for sweeping reform of the

nation's welfare system, reform the 100th Congress has initiated.

The goals of welfare reform also require reform of the health care financing system. Today poverty, poor health, and welfare dependency are joined in a perverse way. Because entry-level jobs often provide few health care benefits, and wages too low to purchase insurance, many parents are hesitant to enter the workforce. The availability of Medicaid has inhibited many parents from leaving welfare for jobs. Economic independence is thus blocked by the prohibitive costs of health insurance and health care.

APWA's *One Child in Four* called for review and recommendations on the issue of access to health care for poor families with children. The APWA Matter of Commitment Steering Committee established the Access to Health Care Task Force to study this issue.

The human service administrators from across the country serving on the task force concluded very quickly that the biggest single barrier to access to health care for poor families is *financial*: the lack of health insurance coupled with the lack of resources to purchase coverage or pay out-of-pocket for health care. The task force also recognized that issues related to access to health care include quality of care and health care delivery systems. Because a source of payment for health care is central to all other issues, however, this report focuses on financial access to health care.

The task force acknowledged that the current health care financing system limits access to care and can be improved. Therefore the recommendations that follow are both *incremental* because they build on existing programs and methods, and *comprehensive* because they provide financial access for all of those currently uninsured.

Access to a continuum of long-term care services, and financing for those services, is also a critical concern, and that issue will be the subject of a companion report to be published in 1989.

We firmly believe that this nation must find a way to make financial access to basic health care services available to all citizens, regardless of economic status. Individuals and families have a responsibility to pursue self-sufficiency through employment. That responsibility should not be undercut by the very real fear of unmet health care needs. ■

*Individuals and families have a responsibility to pursue self-sufficiency through employment. That responsibility should not be undercut by the very real fear of unmet health care needs.*

# Recommendations:

## Access to Health Care for Poor Families and Children

Human service administrators approach the issue of access to health care for an obvious reason: we provide health care services for the poorest among the uninsured. But the systems we administer do not provide for all of those in need. The working poor and those striving to be independent of the welfare system need policies and programs that assure their access to health care.

It is incumbent upon us as human service administrators, together with our colleagues in health care and the private business sector, to propose alternatives so that families do not face the stark choice between taking a low-wage job without health insurance and remaining on welfare in order to ensure the availability of health care for their children. We must also assure that workers, who are otherwise self-sufficient, are not reduced to economic dependence or medical indigence by their lack of health insurance. This is a matter of equity for families and individuals. It is also an economic necessity. The nation needs a healthy, productive workforce. On the following pages we propose policies to provide financial access to health services so that no member of society is denied basic care when care is needed.

These recommendations derive from principles articulated in *One Child in Four* that stress the mutual responsibilities of individuals, government, and the private sector:

- The individual has a responsibility to obtain health coverage when it is available and affordable and to seek out health care as needed. Parents have a responsibility to obtain coverage for their children and to seek appropriate providers and services when needed.
- Society has an obligation to ensure that all citizens have access to health care. The public sector has a responsibility to provide assistance to those who cannot afford health care, and the private sector has the obligation to provide health care coverage for employees.

As we stated in *One Child in Four*, we seek policies that reflect a social insurance model. We called for a new Family Living Standard (FLS)—a nationally mandated, state-specific standard for cash assistance based on a uniform methodology for calculating actual living costs. Cash benefits would replace AFDC, food stamps, and low-income home energy assistance for eligible families with children. FLS benefits would meet the difference between a family's income—wages, child support, stipends and so forth—and the local FLS. A study of the Family Living Standard is included in welfare reform legislation enacted this year by Congress.

Similarly, we believe health care benefits should eventually reflect a Family Health Standard, a formula that takes into account local health service and insurance costs, and their differences across the country. Measured in conjunction with the FLS, the Family Health Standard would be used to set eligibility and income levels for the basic health benefit package. The Family Health Standard would help direct further health care policy development. We recommend that the congressionally mandated study of the Family Living Standard include the Family Health Standard approach. Until the FLS methodology is implemented, we propose that the policies we recommend use the federal poverty level as an interim determinant of need.

In addition to the two overarching principles outlined above, the Health Care Task Force developed guidelines to evaluate alternative health care policies and formulate our recommendations. We urge other individuals and organizations to use them as well. The APWA "family health guidelines" include:

- *Equity*. Families in similar economic and health circumstances should be treated in the same way.

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> *It is incumbent upon us as human service administrators, together with our colleagues in health care and the private business sector, to propose alternatives so that families do not face the stark choice between taking a low-wage job without health insurance and remaining on welfare. The nation needs a healthy, productive workforce.*

*Today, companies like ours pay for health care twice—once for our own employees and then again, via taxes and inflated health insurance premiums, for the employees of those businesses who don't provide benefits for their own people.... Permitting companies to skimp on employee and retiree benefits like basic pensions and adequate medical insurance in order to gain competitive advantages is simply not sound public policy. If this is the beginning of a trend, our nation is in deep trouble—and now is the time to put a stop to it.*

—Robert L. Crandall, chairman and president, American Airlines, Inc., in congressional testimony, June 24, 1987

- *Benefit coverage.* Individuals and families should be covered by a basic benefit package including primary and preventive health care.
- *Work incentives.* Health care coverage should be an incentive for families to obtain employment and leave public assistance.
- *Economic impact.* Policies should minimize any adverse economic impact on business that might lead to the loss of jobs as a result of increased insurance costs.
- *Broad but differentiated coverage.* Health care benefits should be available for everyone. At the same time, providing coverage to diverse groups may call for diverse methods.
- *Effective administration.* Policy and program alternatives should be conducive to effective and efficient operation, including links with other social and health programs.
- *Economic efficiency.* Serious consideration must be given to cost control elements of any policy or program alternative, particularly by emphasizing managed care systems.

To assure financial access to primary health care services for poor uninsured families and individuals, we recommend:

- Employer-sponsored health insurance for all employed individuals and their families with a basic package including hospital and physician services, prenatal, well-baby and well-child care, and diagnostic and screening tests. We propose as later additions to this basic package prescription drugs, dental services for children, and eye care. For small businesses, coverage would be provided through regional insurance pools offering premium rates equal to those available to large firms.
- Restructured Medicaid programs to cover all nonworking individuals and dependents with family incomes up to a percentage of the FLS/FHS (75 percent of poverty as an interim measure), and family assets not in excess of $12,000 (excluding the home and other noncountable resources.) For the unemployed with incomes between 75 and 200 percent of poverty or whose assets exceed $12,000, the state would provide a minimum benefit package equal to the employer's basic plan. States would charge income-related sliding scale premiums for those with incomes between 75 and 200 percent of poverty. The uninsured with family incomes equal to or exceeding 200 percent of poverty could buy into the program by paying the full premium costs.

These policies recognize that different populations—the employed and the unemployed—require different solutions. The two policies complement each other by providing broad but differentiated coverage for all the uninsured and underinsured. The combination of approaches would provide work incentives for people leaving cash assistance because they will be assured workplace coverage. The programs permit and encourage effective administration by using existing program structures. The proposals address efficiency, job loss, equity, and benefit coverage comparability among and between programs.

These policies should be implemented in a manner that does not discriminate against individuals based on the state of their health. To equitably manage the inclusion of persons with chronic conditions in insurance pools, for example, the government should monitor that inclusion to prevent a preponderance of high-risk individuals in one pool ("adverse selection"). Similarly, programs should avoid "skimming," the selection of only those at very low risk of health problems.

### *Recommendation to Meet the Needs of Workers and Their Families: Expansion of Employer-Sponsored Health Care Plans*

Most of the U.S. population with insurance has traditionally been covered through employer-sponsored plans. A broad consensus, therefore, already exists that employers have a responsibility to provide coverage. Our proposal for expanded employer-based coverage provides continuity with the current system which will aid implementation and minimize costs.

Mandating employer-sponsored coverage will significantly reduce the problem of lack of insurance since a majority of those now uninsured are employed. Employer-sponsored groups generally benefit from lower premiums, an effect increased with the creation of insurance pools that broaden the community of risk to be covered. While this proposal benefits primarily the uninsured, a mandated basic package will also benefit the low-income underinsured

*A broad consensus already exists that employers have a responsibility to provide coverage.*

*The intent of this recommendation is to provide universal coverage for workers and their families.*

whose policies now preclude access to basic services.

APWA recommends expansion of employer-sponsored health care coverage as follows:

*1. Eligibility*

The intent of this recommendation is to provide universal coverage for workers and their families. All employees following 28 consecutive days of employment would be covered. This would include self-insured firms. Very small employers (perhaps with six or fewer workers) would be exempted. Employees in such firms would have the option of purchasing coverage in state or regional insurance pools, described below.

*2. Coverage*

Employees and their dependents will be entitled to a basic benefit package to assure an acceptable level of health and self-sufficiency. The basic package includes:

- inpatient and medically necessary outpatient hospital services
- physician services
- prenatal, well-baby, and well-child care
- diagnostic and screening tests

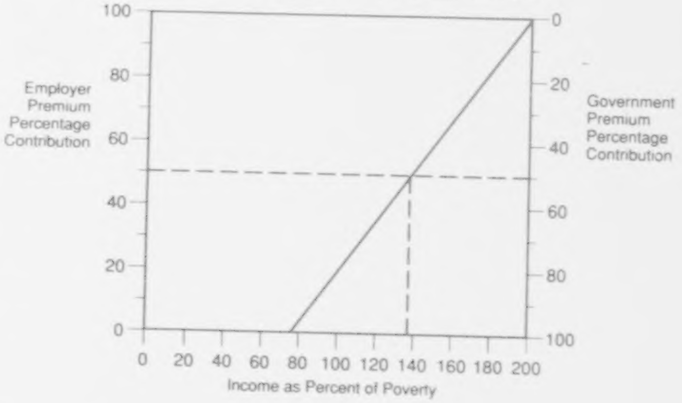
We view this basic package as a starting point to provide services at the core of primary prevention and catastrophic health care. We recommend phasing in other important services over time, specifically:

- prescription drugs
- dental services for children
- eye ca

*3. Financing*

For fulltime employees with family income greater than a percentage of the state specific FLS/FHS (200 percent of poverty as an interim measure) the cost of coverage would be split 80-20 between the employer and employee. For workers earning below 200 percent of poverty, the employee share of the premium would be subsidized in part by the government on an income-based

**Government Subsidy for Low-Income Workers**



Errata

On chart, page 20, left column should read *"Employee Premium Percentage Contribution."*

sliding scale (see chart, Government Subsidy for Low-Income Workers). If family income falls below 75 percent of poverty, the government covers the entire employee share of the premium.

For parttime workers with family income at or above 200 percent of poverty, the employer would pay a share of the premium based on hours worked—more for the worker who works more hours to assure that an employer does not have to pay fulltime benefits for parttime workers (see chart, Premiums for Parttime Employees).

This sharing of responsibility for health care costs among the employee, the employer, and government is a public-private partnership consistent with the principle of reciprocal obligations outlined above. For this purpose, a fulltime employee is defined as one who works 20 or more hours a week.

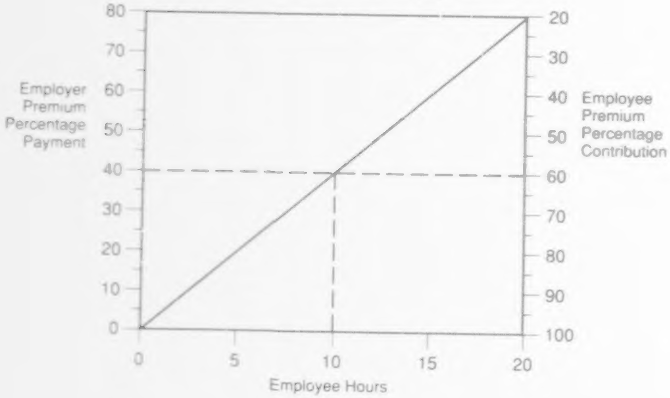
*4. Small business*

To address the problem of increased costs for small businesses we propose the creation of state or regional insurance pools. Such pools, either privately administered with public oversight or publicly administered, could spread the costs of financial risk among many small employers in an area. It is the intent of this recommendation to facilitate coverage for all workers, and to provide access to state or regional pools to all small businesses for whom pools represent the most efficient means of insuring workers.

The government could assist in the development of pools and facilitate matching small employers with pools. It may be appropriate to develop pools for specific sectors of industry. Careful development and design of pools can also assure efficiency through strong managed-care components. A further option to meet the economic concerns of employers would be the possibility of purchasing Medicaid coverage for workers. To minimize the financial impact on small businesses, we recommend phasing in expanded coverage, and giving consideration to tax breaks and other assistance

*This sharing of responsibility for health care costs among the employee, the employer, and government is a public-private partnership.*

**Premiums for Parttime Employees**



*All public and private institutions have a role in achieving a society of healthy, productive citizens. There is no more important task for America than a major national investment in the well-being of poor children and in the strength and self-sufficiency of their families.*

—*One Child in Four*, APWA, 1986

through individual state economic development programs.

*5. Self-employed and other specific worker groups*

We propose that self-employed individuals, temporary workers, and intermittent workers have access to the system of regional insurance pools. In addition, self-employed individuals would be allowed to deduct 100 percent of the cost of health insurance as is the case with employers providing group health coverage. Today the self-employed may deduct only 25 percent of their costs.

For temporary and intermittent workers, we propose that insurance pools allow employers to pay for coverage based on annual averages for their employees. Such financing arrangements could be made so that these workers pay premiums based on annual or quarterly averages of hours worked, with a government subsidy of those premiums based on averaged incomes.

### *Recommendation to Meet the Needs of Nonworking Individuals and Families: Extension of Medicaid Eligibility*

For nonworking individuals and their families, APWA recommends extending Medicaid eligibility so that those not currently covered receive benefits. There are sound reasons to use Medicaid to cover those who would not be affected by expanding employer-sponsored coverage, including the fact that a delivery system is now in place. Broadening Medicaid coverage can be accomplished without additional administrative structures and administrative funding.

Certain difficulties within Medicaid now, such as low provider participation, could be addressed by this broadened coverage, and specifically the decoupling of eligibility from cash assistance. Provider participation levels could be enhanced as program enrollment increases and providers respond to increased market share potential. Lack of continuity in coverage and uncertainty about reimbursement has been a disincentive for providers. This proposal provides continuity of coverage for the nonworking population and eliminates the uncertainty about reimbursement.

We propose amending the current Medicaid program to require states to provide Medicaid benefits to all nonworking individuals and families. The amended program would provide for all costs of coverage of individuals and families with incomes up to a particular level of the FLS/FHS (on an interim basis, 75 percent of poverty) with some asset limitations. States would be required to provide to this population all benefits currently included in their Medicaid program. States would also be required to provide a basic package of benefits, and could charge premiums and deductibles to those with incomes at or over 75 percent of poverty.

APWA recommends restructuring the Medicaid program to include nonworking individuals and families as follows:

### *1. Eligibility*

Those eligible would be all nonworking individuals and families who are not otherwise eligible for Medicaid or other third-party coverage. Recent legislation mandates coverage for infants and pregnant women up to 100 percent of poverty, and allows coverage up to 185 percent of poverty. We encourage states to provide this optional coverage. It should also be noted that recent welfare reform legislation extends Medicaid coverage for one year to families leaving welfare due to employment, and we expect this transition benefit to remain in place until the expansion in employer-sponsored coverage takes effect.

*Eligibility would be based on simple tests of income and assets rather than categorical requirements of cash assistance programs.*

## COST-EFFECTIVE PROGRAMS

| **Program** | **Benefits for Children** | **Cost Benefit** |
|---|---|---|
| Prenatal Care | Reduction in prematurity, low birthweight births, and infant mortality; elimination or reduction of diseases and disorders during pregnancy. | $1 investment can save $3.38 in cost of care for low birthweight infants. |
| Medicaid | Decreased neonatal and infant mortality, and fewer abnormalities among children receiving EPSDT services. | $1 spent on comprehensive prenatal care added to services for Medicaid recipients has saved $2 in infant's first year; lower health care costs for children receiving EPSDT services. |
| Childhood Immunization | Dramatic declines in incidence of rubella, mumps, measles, polio, diphtheria, tetanus, and pertussis. | $1 spent on Childhood Immunization Program saves $10 in later. |

Source: *Opportunities for Success: Cost Effective Programs for Children Update, 1988*, Select Committee on Children, Youth and Families, U. S. House of Representatives

Eligibility would be based on simple tests of income and assets rather than categorical requirements of cash assistance programs. Individuals and families whose incomes are below the interim measure of 75 percent of poverty and whose resources do not exceed $12,000 (excluding the home and other noncountable resources) would be eligible for Medicaid coverage without premium or deductible obligations. This approach would eliminate current categorical limitations on eligibility for this group.

Individuals and families with income above that measure, or assets in excess of $12,000, would be eligible for a basic benefit package but would be subject to premiums and deductibles on a sliding scale at state option. This coverage would use the Medicaid administrative system.

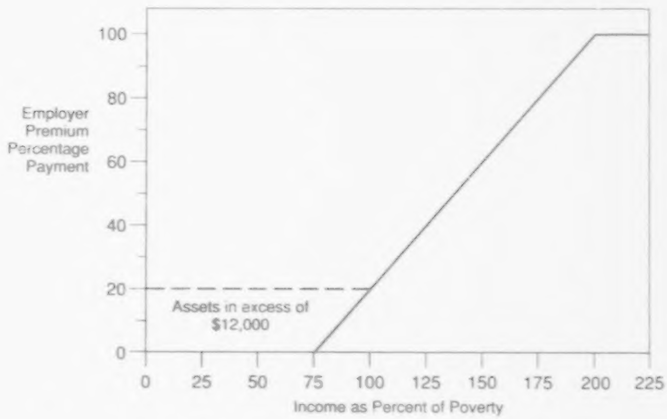
*2. Coverage*

For those individuals with incomes below the interim measure of 75 percent of poverty, states would provide the same benefits currently provided in their state plans. For those with incomes equal to or above 75 percent of poverty, states must offer at least a basic package of benefits equal to the basic employer-sponsored package. This includes:

- inpatient and medically necessary outpatient hospital services
- physician services
- prenatal, well-baby, and well-child care
- diagnostic and screening tests

As stated above with reference to employer coverage, we recommend

Premium Schedule for Buy-In Coverage



On chart, page 24, left column should read "*Enrollee* Premium Percentage Payment."

phasing in the following services as part of the basic package over time:

- prescription drugs
- dental services for children
- eye care

*3. Financing*

Financing would remain the same as current Medicaid funding with federal and state contributions based on the established federal matching rate. Enrollees with incomes at or above the specified level of FLS/FHS (75 percent of poverty as an interim measure) would pay monthly premiums according to a sliding schedule based on income. A household with income equal to or above 200 percent of poverty would be required to pay 100 percent of the average costs of providing the particular package of services for which the client enrolled. Individuals below the income level of 75 percent of poverty with assets in excess of $12,000 would pay 20 percent of the premium costs (see chart on page 24).

States would have the flexibility to set up multiple benefit packages that would meet or exceed the minimum package, and charge higher enrollment fees depending on the benefits included in the particular service package. States could charge deductibles and copayments in order to control service utilization of these expanded coverage packages.

Both of these proposals will, when fully implemented, make access to basic health care a reality for all Americans. These are investment strategies: investments in the well-being of individual Americans, and investments in a strong and productive economy. ■

# Conclusion

In 1986 nearly 19 million Americans needed medical care, but for financial reasons had difficulty getting care, according to a nationwide survey by the Robert Wood Johnson Foundation. The same research found that one-third of the nation's poor children had not seen a doctor. The deterioration in access to health care for America's poor families and children demands action—action by the national and state governments and the private sector. Access to health care is critical for the well-being of individuals and families, and critical as well to the economic productivity of the nation.

These recommendations build upon, and are similar to, the proposals of other concerned organizations. While researchers, analysts, and lawmakers have proposed either a broadened Medicaid program, or mandated employer coverage, APWA believes that the only way to equitably address the problems of those lacking health insurance is to implement both proposals. This dual approach will alleviate the problems of the uninsured and underinsured, within a framework that is manageable and equitable for the public and private sectors.

We believe these recommendations are viable and feasible. We understand that expanded Medicaid coverage and a broad mandate for employer-sponsored health insurance coverage represent major changes in our national health policy. This progress will not come about without additional costs. The initial costs can be minimized by phasing in the new policies, including the specific basic benefit package. It is important to keep in mind, however, that this nation is already incurring far greater social and economic costs through continued inaction. Today many of our health care costs are being borne inequitably. Companies providing health insurance are subsidizing their competitors who do not provide coverage. And the worst burden, by far, is that borne by individual poor children whose quality of life is diminished because their mothers were unable to obtain needed prenatal care.

Samuel Johnson wrote that "a decent provision for the poor is the true test of a civilization." That is a test we are failing today. We cannot address the needs of the poor without addressing the need for access to health care.

As a society we have historically dealt only with pieces of the health-care puzzle, and not with the puzzle as a whole. It is time to take a comprehensive view of the situation, determine how and where society *should* be investing in health care for our citizens, and take the actions necessary to assure access to health care for all Americans. ■

*Access to health care is critical for the well-being of individuals and families, and critical as well to the economic productivity of the nation.*

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# Working Together:

## Finding a Route Out of Poverty

**Your** Department of
**Public Welfare**
**Michael S. Dukakis**, Governor

CHART 1

# THE EMPLOYMENT AND TRAINING CHOICES PROGRAM (ET)

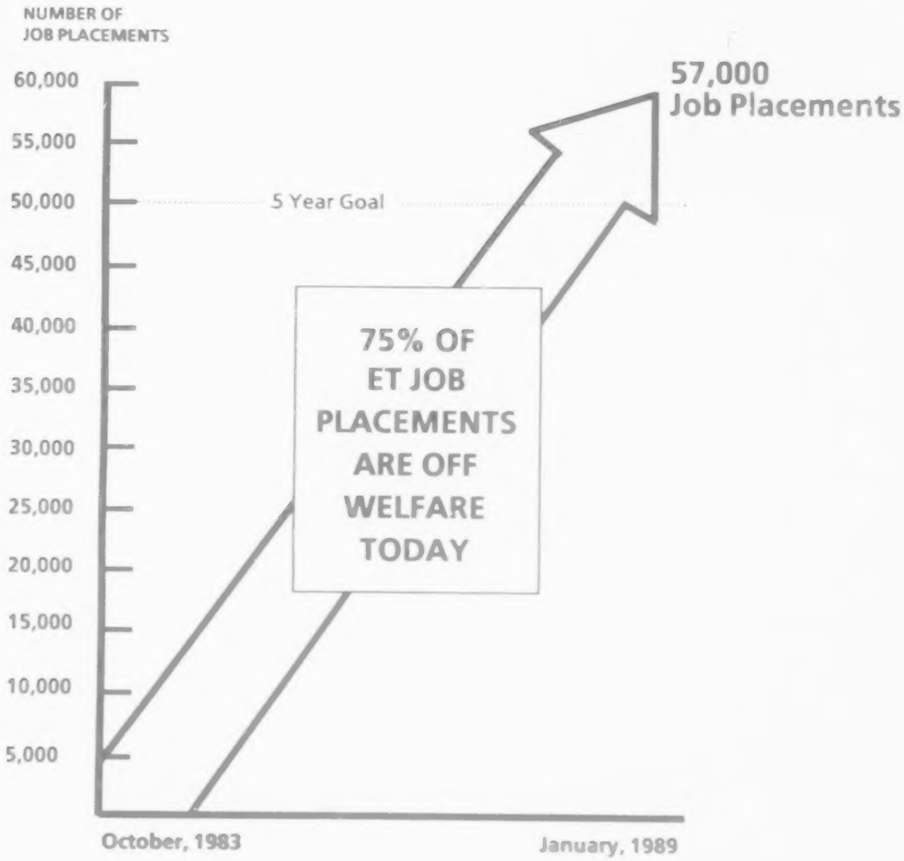

CHART 2

# MAJOR REASONS FOR RETURNING TO WELFARE

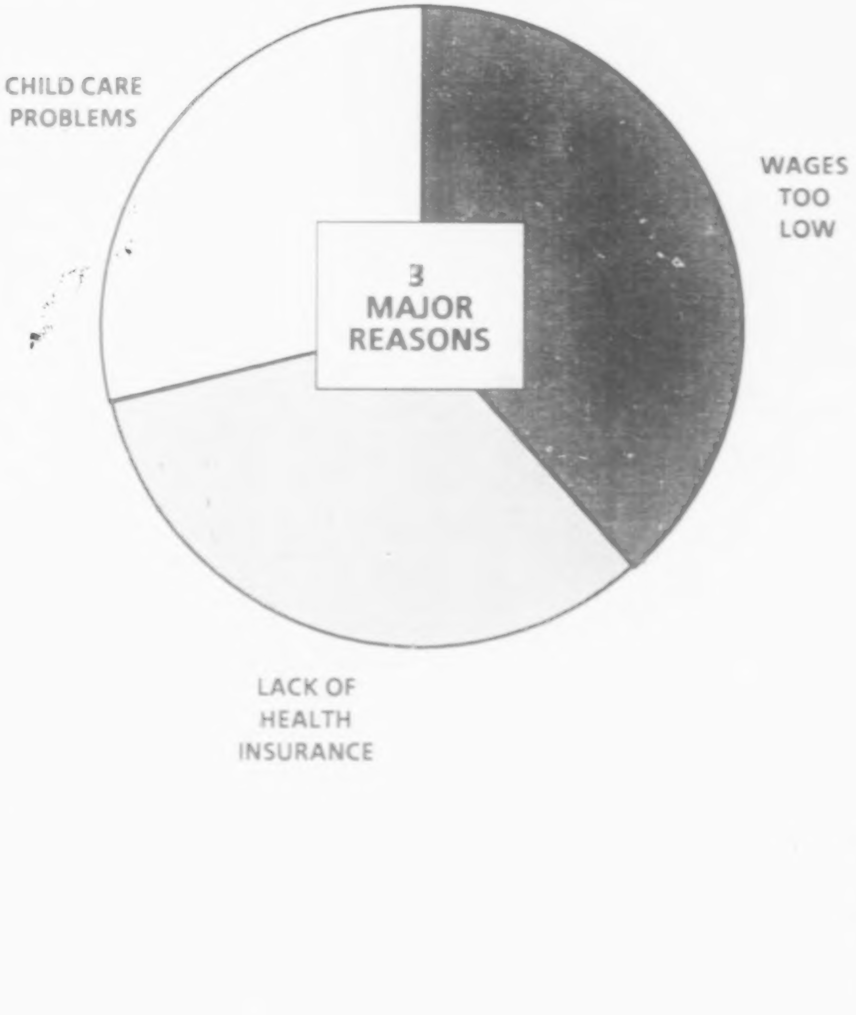

CHART 3

# INCOME: WELFARE VS. WAGES

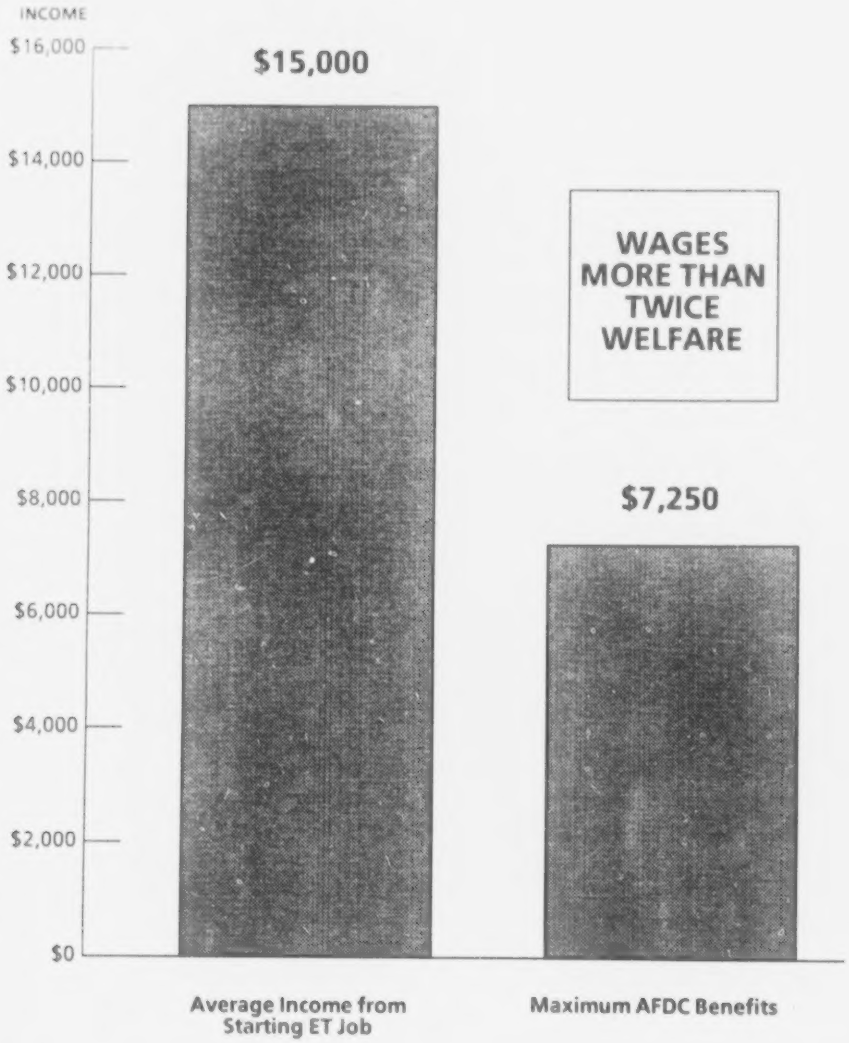

CHART 4

# ET PARTICIPANTS WITH YOUNG CHILDREN HAVE INCREASED

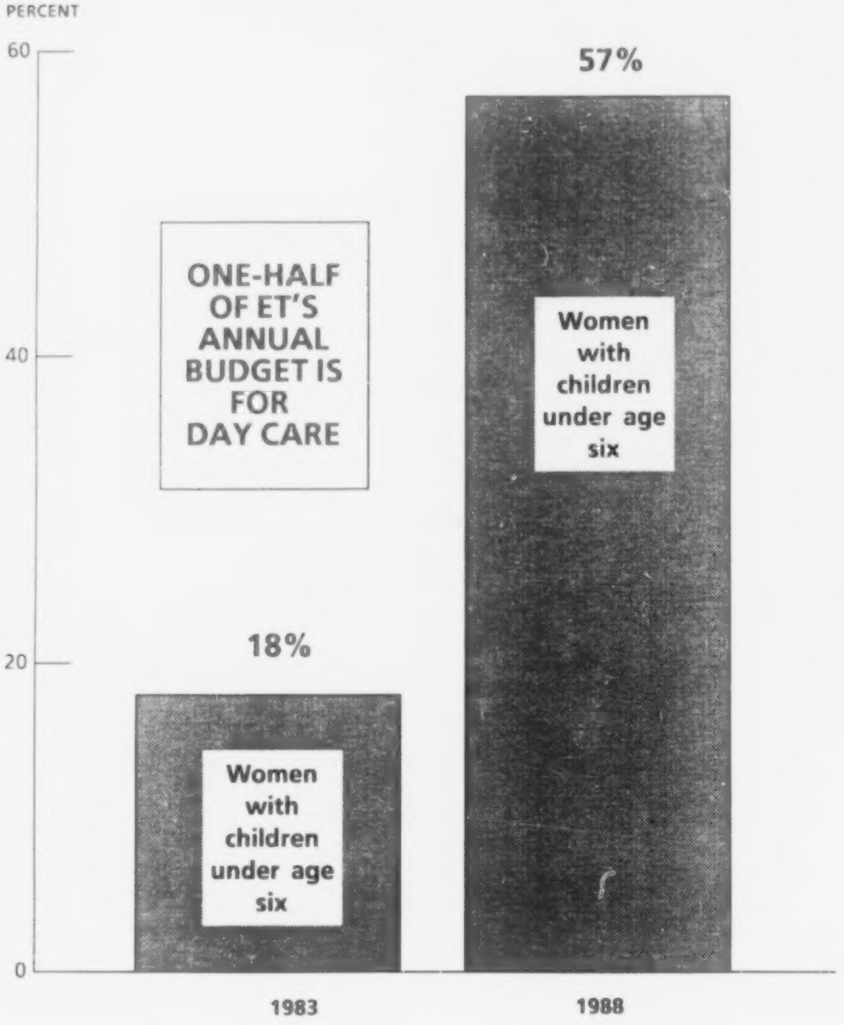

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CHART 5

# MASSACHUSETTS UNIVERSAL HEALTH INSURANCE PROGRAM
## ( FIRST PHASE: COMMONHEALTH)

- People leaving welfare for jobs without health insurance
- Disabled working adults
- Disabled children
- Low income pregnant women and young children

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CHART 6

## COMMONHEALTH ENROLLMENTS

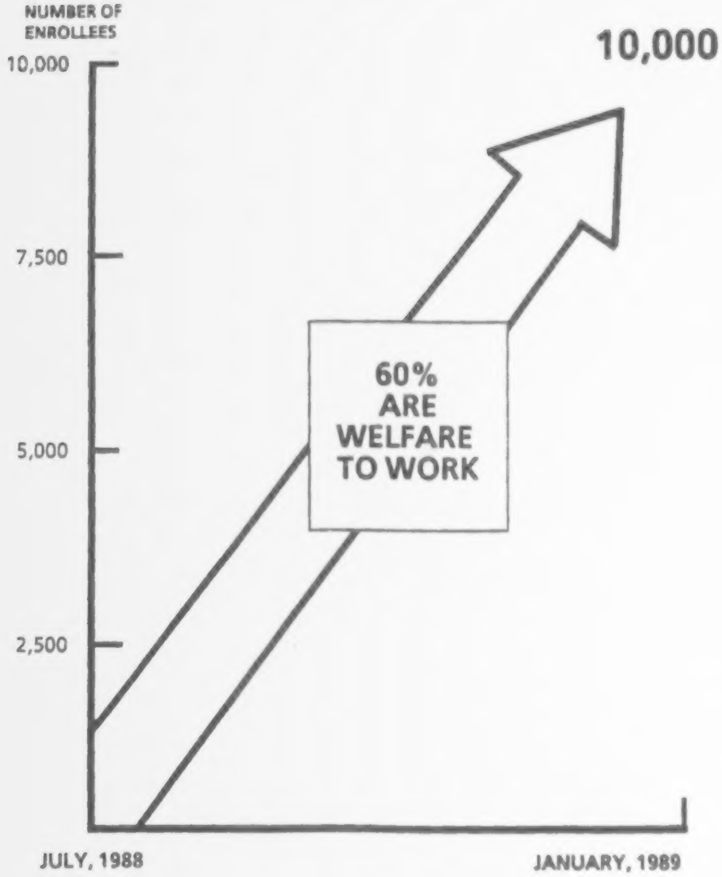
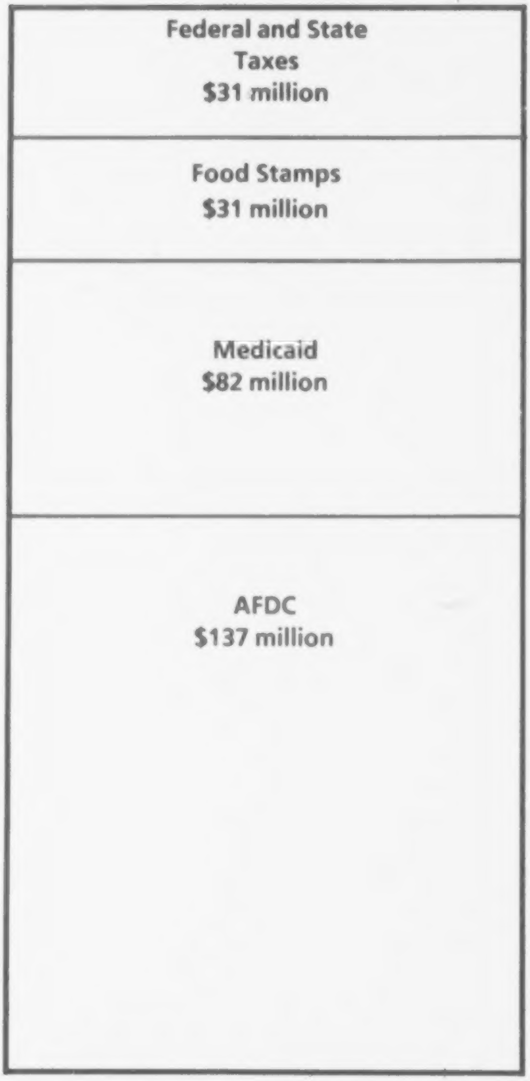


CHART 7

# NET ET SAVINGS

## $281 million



Estimated cumulative savings for ET placements after all program costs have been subtracted.

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The CHAIRMAN. Thanks an awful lot, Mr. Atkins.

Let me sort of play devil's advocate here for a few moments, because these are the kinds of questions that we are going to be asked. First of all, the total welfare numbers in the State have not decreased, but have increased, haven't they?

Mr. ATKINS. No. That is a myth that is not true, Mr. Chairman. There have been some press reports in particular by Warren Brooks, a syndicated columnist, trying to claim that the welfare rolls have actually gone up over the past five and a half years in Massachusetts. I am very proud to be able to tell you that that is not the case at all. In fact, since we began the ET Program in October of 1983, the welfare rolls in Massachusetts, as I have stated in my written testimony, have actually gone down by 5 percent. Now, I admit that that is not a large decrease—and I am sure Mr. Brooks would jump right on me and tell me that is not much of a decrease for the amount of money we have spent on ET—but as you well know, Mr. Chairman, over that same period of time since October of 1983, we are very proud of the fact that in Massachusetts, we have increased welfare benefits by a record 54 percent, and we have done that, as one of your questions to the previous witness suggested, to do something about the homeless problem in Massachusetts. Many of our homeless are families who are on welfare who were not getting enough money to pay their rent. So we have increased welfare benefits by 54 percent in an effort to prevent homelessness. The fact that the case load has gone down at all, much less by 5 percent, I find proof of the effectiveness of ET.

The CHAIRMAN. There have been some allegations that the program has not been evaluated; the implication being that there is something in there that has not worked.

What is your response to that?

Mr. ATKINS. Well, I think those changes ended when the election ended last November, Mr. Chairman. But more seriously, the ET Program has been evaluated very thoroughly, and I would be glad to give the committee a full list. There is actually a two-page list of evaluations.

We ourselves have contracted with The Urban Institute in Washington to do a full-scale evaluation of the program, which will be ready something this spring. A year and a half ago, in August of 1987, the Massachusetts Taxpayers Foundation which, as you know, Mr. Chairman, is an independent, 50-year-old watchdog-type organization in Massachusetts that worries about how we spend the taxpayers' money, evaluated ET and found it to be very cost-effective. We have other similar evaluations that show the same thing.

The CHAIRMAN. How do you respond to the observation that on the one hand you have this chart that tells us about net ET savings, but what you do not show us are the expenditures—expenditures on training programs, expenditures on health, expenditures on daycare. This sounds like a really expensive program, and you are trying to sell it as a program with savings, but it really will be exorbitantly expensive if we are to try and do this nationally.

Mr. ATKINS. I am glad, Mr. Chairman, you said these questions were somewhat rhetorical. The ET Program is expensive, and I maintain, as I know you agree, that it is a worthwhile investment.

And the purpose of using that last chart, Chart 7, was to prove that in fact it is an investment that does save money.

But I think, as we both agree, this is certainly a population of women with young children who we wish to take care of and have do something in our society, both the women and those young children. But what we have found in Massachusetts is that literally, for every dollar that we invest through the ET Program in education, in training, in daycare and health care, added altogether, there literally is a two dollar savings that can be achieved through the reduction in welfare benefits—AFDC, Medicaid and food stamps. Chart 7 shows the results of that. But as we well know, often, as the private sector has proved, one has to invest money in order, as the private sector would say, to make money. In terms of Government, I think we have to look at it in terms of investing money to save money.

We found in Massachusetts that we broke even after an investment of ET funds in that second year of ET. And now that ET has been up and running for over five years, we have achieve a savings of $280 million.

The CHAIRMAN. That is the total program, $280 million over five years?

Mr. ATKINS. In savings after we deduct all the costs of the program—all costs, including administrative costs.

The CHAIRMAN. Finally, how do you respond to the suggestion that you are basically "creaming" off the top—that you are only taking volunteers, the ones who are motivated, and they would find jobs in any event, so why do we really need this?

Mr. ATKINS. We have two statistics that I think are probably the best answer to those people who would worry that the way that we are running the program is not fair or is not right because we are not forcing people to do this against their will. And the two statistics that at least I believe prove the virtue of taking that approach are, (1) the average length of stay on welfare in Massachusetts since we began the ET Program five years ago has declined by a full year, 12 months. When we began the ET Program in October of 1983, the average length of stay on welfare in Massachusetts was 37 months. It is now down to 25 months. My argument is that if all we were doing is "creaming" in Massachusetts, we are at least putting people into jobs a year earlier than they would have gotten jobs on their own.

However, there is a second very important statistic that indicates, at least to me, that that is not at all what is really going on in Massachusetts, and that statistic is that the number of families who have been on the welfare rolls five years or longer in Massachusetts—which all the experts say are the hardest to reach—has declined by an astonishing 38 percent since we began the ET Program. In October of 1983, there were 21,000 families who had been on the welfare rolls in Massachusetts five years or longer. That number is now down to less than 14,000 families who have been on the welfare rolls five years or longer.

I think what is going on is what you have heard in previous testimony, that it is those women and their families who have been on the welfare rolls the longest who know they cannot make ends meet—they cannot make it out there in a minimum wage job, but when the Government comes along and invests in their education and training, invests in their daycare and health care, they will jump at the opportunity to take a job and get off the welfare rolls.

The CHAIRMAN. One final question. We have had an expanding economy up there in the State, so people could make the point that this process can work up there in Massachusetts, but there are other parts of the country, the Midwest, some of the industrial areas of the country, where this program just would not make sense.

How do you answer that?

Mr. ATKINS. I guess I would give a two-part answer to that, Mr. Chairman. One, it is my belief that a good economy, a growing economy is what I would call a necessary but not a sufficient condition for the success of moving people from the welfare rolls to work. And I say that because as you know, we had the opposite experience in Governor Dukakis' first term. From 1974 to 1978 in Massachusetts, the unemployment rate dropped in half. It had hit a high of 12 percent in 1975, and when Governor Dukakis left office that first time in 1978, it had dropped to 6 percent, a drop of 50 percent. We did not have an ET Program in those days; we had a workforce-type program. And the result was that the welfare rolls, despite the 50 percent decrease in the unemployment rate and thousands of jobs being created, increased. The welfare rolls actually increased by 15 percent in that first Dukakis administration. And we believe it is because we did not provide for welfare recipients the education and training, the daycare and the health care.

It may be true that "a rising tide lifts all boats," but you really have to have programs like ET to provide that boat for welfare recipients to get into.

In terms of States with economies that may be not as booming as the Massachusetts economy has been over the past six years, my fellow welfare commissioners in other States, where there are economies that are not doing as well, will tell you that they want programs like this in place for a couple of reasons. One, there is always turnover out there in the workplace. There are always jobs that become available, even if thousands of new jobs are not being created, and these women can have a shot at those jobs if we have programs in place like ET. Two, as we well know, the economy is cyclical, and those States will turn around, we hope, and the economies will improve, and then these programs ought to be in place to take advantage of them.

The CHAIRMAN. Senator Thurmond, do you have any questions?

Senator THURMOND. I have no questions. Thank you very much. I understand Mrs. Dole is here.

Thank you very much for your testimony.

The CHAIRMAN. Yes. I want to thank both of you very, very much.

Mr. Atkins, those were good responses, and I wanted to get those answers on the record. I am going to be using them as we move through the debate and discussion. So we again want to thank you for coming.

Ms. Wright, I want to thank you very much for joining us here today.

Ms. WRIGHT. Thank you.

The CHAIRMAN. We have as our final witness, the Secretary of Labor, whom we had intended to start our hearing with, but she was necessarily absent to be at a White House meeting, and we will welcome her back to the committee and congratulate her on the Senate vote of yesterday.

We recognize the distinguished Senator from South Carolina for any words of introduction that he has.

Senator THURMOND. Thank you very much, Mr. Chairman.

It is a pleasure for me to be here today and welcome Secretary Dole to this hearing. I regret that I must leave to attend another meeting that has been scheduled for several weeks, at 3:00 in the Capitol, and therefore, I will not have the opportunity to stay for her remarks. However, I am looking forward to reviewing the testimony that she gives.

Also, I would like to congratulate you again, Mrs. Dole, on your confirmation by the Senate. I do not know of a more competent or finer person to serve our Government than Mrs. Dole.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Secretary Dole, we look forward to your testimony.

## STATEMENT OF HON. ELIZABETH HANFORD DOLE, SECRETARY, U.S. DEPARTMENT OF LABOR

Secretary DOLE. Thank you very much, Mr. Chairman.

I am pleased to have this opportunity to testify before you today, and if I may, I would like to submit my longer statement for the record and just summarize the statement now.

By now, we are all familiar with the Workforce 2000 trends, such as the slowing growth of our work force and new jobs with higher skill requirements. Because of these trends, many employers are already finding it difficult to recruit new workers, particularly in Massachusetts and other New England States.

Job openings for skilled workers, such as nurses, lab technicians and machinists, are going begging in some areas. Because the number of new workers will continue to fall, businesses will be scrambling for talent throughout the 1990's. Tighter labor markets are good news for U.S. working men and women because issues once defined as social problems will have to be dealt with out of economic necessity.

For example, in tighter labor markets, employers have a greater incentive to reach out to the disadvantaged, to ensure a healthy and safe workplace, and to address workers' obligations to their families. Employers who do not will simply lose out to employers who do.

The problem, of course, is that many of the new workers will not be qualified because of inadequate basic skills. It is estimated that three-fourths of these new workers will have only limited verbal and writing skills, suited to only about 40 percent of the new jobs.

Thus the Nation faces the prospect of a surplus of people without the skills demanded by a highly-competitive information-based economy, while a growing number of higher-skilled jobs go begging at the same time. This is becoming known as the "skills gap", and sets up a scenario for waste of human potential and breakdown of our labor markets. It also hinders the growth of our economy.

The Department of Labor has a unique role to play in helping to address this situation because it is the only Federal agency that intervenes regularly on both sides of labor markets.

I am prepared to use the considerable resources of the Department to augment our current pace of job creation with a strategy of "growth plus"—growth plus policies to help those for whom the jobs of the future are now out-of-reach because of the skills gap or family pressures or the lack of supportive policies.

I see two broad policy challenges arising from the Workforce 2000 trends. The primary challenge is to build a first class work force that is capable of responding to the competitive challenges we face at home and abroad. As our work force grows more slowly than at any time since the 1930's, minorities, the disadvantaged, persons with disabilities and other groups traditionally left behind will be in demand by employers as never before—but only if they are qualified.

We have within our reach the fulfillment of a long-awaited dream—that every American who wants a job can have a job. First, though, we must overcome some substantial obstacles.

Currently, only one-third of disabled Americans work, even though two-thirds of those who are not working would like to have a job. While the school dropout rate has declined, there are still 900,000 dropouts annually, and the rate is close to 50 percent in some inner-cities.

Young people who stay in school are not necessarily being prepared for the jobs of the future. Nearly one-quarter of recent high school graduates read below the eighth-grade level. A failure rate this high in business would surely result in bankruptcy.

While the opportunities for employment are growing, poorly-educated black males are working less. In central cities, the percentage of black male dropouts who are working has declined from 80 percent in 1969 to just 50 percent today.

There is a distinguishing characteristic among disadvantaged young adults, those who are arrested, unwed mothers on welfare, dropouts, and the unemployed. That distinguishing characteristic, common to all these groups, is low-level basic skills.

Many youth do not have an appreciation for the dignity of work. A job promotes self-esteem and a feeling of self-worth, and we need to reinstill an appreciation for the value of work and change these youths' expectations regarding work. They need to understand that millions of unskilled jobs can become the first rungs of career ladders.

And, Mr. Chairman, we must act now if we are to avoid the haunting possibility of a permanent underclass of unemployables, concentrated in poor, inner-city neighborhoods afflicted by drugs and crime, and isolated from the Nation's economic and social mainstream. If this occurs, the cost in economic, social and human terms will be enormous. The poor themselves will bear a large proportion of the cost.

To fulfill the dream of a job for every American who wants one, we as a Nation must change the expectations and outlooks for those entering the work force. We must set a literacy goal and invest in education and training for at-risk youth. We must better target resources on minority populations and demand higher standards for the education, job training, job placement and welfare systems.

Building a first-class work force also requires that we address the skills gap for current workers. About three-quarters of today's workers will still be on-the-job in the year 2000. Many do not have the basic skills they need to function in the jobs available now, much less the jobs of the future. Many need literacy instruction or skills upgrading.

The second challenge is to tailor the workplace to the new work force. We are becoming a society in which nearly everyone works. Two-thirds of the labor force growth, between now and the year 2000 will be made up of women, most in their childbearing years. As competition for able workers increases, managers will have to pay more attention to the concerns of the new work force. To recruit better employees, or to keep them, companies are starting to offer new benefits that today's workers need, often providing a range of services and allowing the employee a greater degree of choice.

Employers are coming to grips with workplace issues which can limit a woman's ability to work to her full potential—needs such as child care and eldercare, equal pay for equal work, parental leave and flexible work schedules. Government, too, must examine policies that were designed in an era of male breadwinners and female homemakers.

And Mr. Chairman, in support of the President's stated interest in enlightened, supportive child care, I intend to be very active in pursuing with you a child care policy for this country.

As I have stated before, I also believe that we must ensure that work and family be complementary, not competing, activities; that the American workplace be as safe and secure as we can make it, and that pension policies bring a measure of rationality to the demographic and social changes now upon us.

Let me conclude by expressing a simple but essential truth. The most valuable asset we as a Nation possess is our work force. If we are to meet the challenges I have discussed, all of us, all levels of Government, business, labor, the education community and nonprofit organizations must join together.

The importance of integrating the lower-skilled and less-educated into our mainstream economy demands a comprehensive human resource policy. Billions of dollars are now spent on a multitude of training, employment and related programs under separate committees of Congress, separate departments of the Federal Government, and separate State and local delivery systems. It is imperative that we work together to establish a system that is more efficient and understandable to both participants and employers.

Some States have already moved aggressively to coordinate programs for welfare recipients. Massachusetts has ET Choices, and California and New Jersey have programs. And we are promoting this kind of cooperation at the Federal level as the new JOBS program under the Family Support Act is implemented. The Department is working with HHS to see that JTPA is closely linked to the JOBS program.

I am sure we will learn a great deal from these State efforts, and I know that you welcome them, Mr. Chairman, for you have a long history of working to ensure that welfare recipients have a greater opportunity to participate in our economy and our society.

I look forward to working with you and the committee on these important issues.

This concludes my summary of my long statement, Mr. Chairman, and I will be happy to answer any questions you may have.

[The prepared statement of Secretary Dole follows:]

## STATEMENT OF
## ELIZABETH H. DOLE
## SECRETARY OF LABOR-DESIGNATE
## BEFORE THE
## COMMITTEE ON LABOR AND HUMAN RESOURCES
## UNITED STATES SENATE

January 26, 1989

Mr. Chairman and Members of the Committee:

I am pleased to have this opportunity to testify before you today on Workforce 2000. I believe the Committee could not have picked a more important subject on which to hold one of its first hearings in the 101st Congress.

By now, we are all familiar with the Workforce 2000 trends:

- in the face of intense international competition, our economy has expanded and created 19 million new jobs since 1982 -- 90 percent of which have been in full-time positions;
- the average age of the American worker will rise from 36 to 39 in the next dozen years;
- at the same time, the decline in our birth rate has slowed the growth of our work force and severely reduced the number of young people available to fill the new jobs;
- the majority of the new, young entrants will be women, minorities and immigrants;
- employment growth continues to shift from manufacturing to the service sector; and
- most of the new jobs have higher skill requirements -- at least one or more years of college.

Because of these trends, many employers are already finding it difficult to recruit new workers. Labor markets are particularly tight in Massachusetts and other New England States, and in metropolitan centers like Boston, Washington, D.C., Los Angeles, Atlanta and Greensboro. This is giving us a glimpse of tomorrow. Job openings for skilled workers such as nurses, lab technicians and machinists are going begging in these areas, and wages for lower skilled jobs in retail trade, for example, have risen sharply. Because the number of new workers will continue to fall, businesses will be scrambling for talent throughout the 1990's.

Tighter labor markets are good news for U.S. working men and women, because issues once defined as social problems will have to be dealt with out of economic necessity. For example, in tighter labor markets employers have a greater incentive to reach out to minorities and other disadvantaged, to ensure a healthy and safe workplace, and to address workers' obligations to their families. Employers who don't will simply lose out to employers who do.

The problem is that many of the new workers will not be qualified because of inadequate basic skills. It is estimated that three-fourths of these new workers will have only limited verbal and writing skills, suited to only about 40 percent of the new jobs. Thus, the Nation faces the prospect of a surplus of people without the skills demanded by a highly competitive, information-based economy while a growing number of higher-skill jobs go begging at the same time. This is becoming known as the "skills gap" and sets up a scenario for waste of human potential and breakdown of our labor markets. It also hinders the growth of our economy.

The Department of Labor has a unique role to play in helping to address this situation because it is the only Federal agency that intervenes regularly on both sides of labor markets. On the workplace side, the Department is responsible for improving the quality of jobs through employment and labor standards, pension policies, and occupational safety and health policies. On the workforce side, employment and training programs aim to improve the competency and mobility of our labor force. The Department also acts at the intersection to match workers with jobs and to promote cooperation between labor and management. Finally, the Bureau of Labor Statistics is our "window" on labor markets, developing and disseminating information.

I am prepared to use the considerable resources of the Department of Labor to augment our current pace of job creation with a strategy of "growth plus" -- growth, plus policies to help those for whom the jobs of the future are now out-of-reach because of a skills gap, family pressures, or the lack of supportive policies. I wish to devote the remainder of my time to discussing the broad policy challenges I see for the Department and the nation.

The primary challenge is to build a first-class work force that is capable of responding to the competitive challenges we face at home and abroad. We have an unusual opportunity before us. As our work force grows more slowly than at any time since the 1930's, our rate of job growth will continue to outdistance all western industrialized countries -- an additional 15 million jobs by the year 2000. The result is that minorities, the disadvantaged, persons with disabilities, and other groups traditionally left behind will be in demand by employers as never before, but only if they are qualified. We have within our reach the fulfillment of a long-awaited dream -- that every American who wants a job can have a job.

First, though, we must overcome some substantial obstacles:

- Currently, only one-third of disabled Americans work, even though two-thirds of those who are not working would like to have a job. We must facilitate access to jobs for those with disabilities through training and help in overcoming barriers to employment.
- While the school dropout rate has declined, there are still 900,000 dropouts annually and the rate is close to 50 percent in some inner cities.
- Young people who stay in school are not necessarily being prepared for the jobs of the future. Nearly a quarter of recent high school graduates read below the eighth grade level. And blacks and Hispanics test far below the remainder of their classmates. A failure rate this high in business would surely result in bankruptcy.
- A Carnegie Foundation report found that the school

reform movement of the 1980's has largely bypassed large urban school systems, particularly those whose students are predominantly black and Hispanic.

- While total college enrollment grew by more than a million students between 1976 and 1986, enrollment of black males fell by more than 7 percent.
- While the opportunities for employment are expanding, poorly educated black males are working less, not more. In central cities, the percentage of black male dropouts who are working has declined from 80 percent in 1969 to just 50 percent today.
- Among disadvantaged young adults, low level basic skills is a distinguishing characteristic of those who are arrested, unwed mothers, welfare dependents, dropouts, and the unemployed.
- Many youth do not have an appreciation for the dignity of work. A job promotes self-esteem and a feeling of self-worth. We need to reinstill an appreciation for the value of work and change these youths' expectations regarding work. They need to recognize that millions of unskilled jobs can become the first rungs of career ladders.

We must act now if we are to avoid the haunting possibility of a permanent underclass of "unemployables," concentrated in poor, inner city neighborhoods afflicted by drugs and crime, and isolated from the nation's economic and social mainstream. If this occurs, the cost in economic, social, and human terms will be enormous. The poor themselves will bear a large portion of the cost. What is more effective in the war on drugs, alcoholism, crime, and poverty, than a good job? This nation's economic wellbeing requires that we move toward a society that ensures that its young people, its minorities, its disadvantaged, its older citizens, and all of its working families, are equipped with the skills and the support they need both to seize their share of prosperity -- and to help create more of it.

To fulfill the dream of a job for every American who wants one, we as a nation must change the expectations and outlooks for those entering the work force, invest in education and training for at-risk youth, better target resources on minority populations, and demand higher standards for those coming out of the education, job training, job placement, and welfare systems.

Building a first-class work force also requires that we address the skills gap for current workers. About three-quarters of today's workers will still be on-the-job in the year 2000. Many of these workers don't have the basic skills they need to function in the jobs available now, much less the jobs of the future. Those who lack a solid foundation in basic skills will be unable to cope with the required changes in work. It is estimated that as many as 30 million current workers will have to be retrained in the next 12 years. While this retraining will be costly, the cost of not training will be higher. Although businesses already invest some $30 billion annually training its employees, the skills gap costs businesses billions of dollars in lost productivity, accidents, absenteeism, poor product quality and lost time. It also costs society and individuals in terms of unemployment, welfare, and associated social ills such as crime, drugs and alcoholism.

We can make significant strides towards eliminating the skills gap by:

- Setting a national literacy goal;
- Enhancing literacy instruction in all training programs, with a particular focus on JTPA;
- Making adult literacy programs available at or near the workplace; and
- Exploring new, non-threatening, non-stigmatizing ways to reach people, such as television programming, video discs, and computer assisted instruction.

The second challenge is to tailor the workplace to the new work force. We are becoming a society in which nearly everyone works. Two-thirds of the new entrants between now and the year 2000 will be women, most in their childbearing years. As competition for able workers increases, managers will have to pay more attention to the concerns of the new work force. To recruit better employees (or to keep them), companies are starting to offer new benefits that today's workers need -- often providing a range of services and allowing the employee a greater degree of choice. Employers are coming to grips with workplace issues which can limit women's ability to work to their full potential, such as child care and elder care, pay equity, parental leave and flexible work schedules. Government, too, must examine policies that were designed in an era of male breadwinners and female homemakers.

In support of the President's stated interest in enlightened, supportive child care, I intend to be very active in pursuing with you a child care policy for this country. I believe that any child care policy should allow parents, particularly those with low incomes, to choose the type of child care they prefer among the wide variety of options now available.

Another distinguishing feature of the new workplace is the rapid and widespread implementation of advanced technologies. About 90 percent of all scientific knowledge has been generated in the last 30 years. This pool of knowledge will double again in the next 10-15 years. This is causing product and production life-cycles to shorten considerably.

New technologies are changing the culture of the workplace. Many jobs have higher skill requirements. The way work is organized often changes, resulting in a greater interdependence among employees. A more highly educated work force is likely to be more involved in decision making and problem solving. New technology may also foster changes in the relationship between management and workers.

As I have stated before, I also believe we must ensure that the American workplace is as safe and secure as we can make it; that pension policies bring a measure of rationality to the demographic and social changes now upon us; and that work and family be complementary, not competing activities.

Lastly, the changing culture of work is forcing employees to take more responsibility for their own career development and employment security. Job security and promotions can no longer be guaranteed by company loyalty, hard work, or membership in a union. Rather, the best long-term guarantor of employment security is the individual worker who is armed with up-to-date skills, adequate retirement benefits, sound labor market information and flexible career attitudes.

I will conclude by expressing a simple but essential truth: the most valuable asset we as a nation possess is our work force. If we are to meet the challenges I have discussed, all of us, all levels of government, business, labor, the education community, and nonprofit organizations must join together. The importance of integrating the lower-skilled and less-educated into our mainstream economy demands a comprehensive human resource policy. Billions of dollars are now spent on a multitude of training, employment and related programs under separate committees of Congress, separate departments of the Federal Government, and separate State and local delivery systems. We need to work together to put in place a system that is more efficient and understandable to both participants and employers.

Some States have already moved aggressively to coordinate programs for welfare recipients. Massachusetts has ET Choices, California has GAIN, and New Jersey has REACH. We are promoting this kind of cooperation at the Federal level as the new Job Opportunities and Basic Skills Training Program (JOBS) under the Family Support Act is implemented. The Department is working with HHS to see that JTPA is closely linked to the JOBS program. In addition, as the statute requires, we are jointly developing regulations on conditions of employment in the work environment. As part of this process, both the Departments of Labor and HHS will strongly urge States to coordinate with JTPA when designing their programs. Mr. Chairman, I know that you have a long history of working to ensure that welfare recipients have a greater opportunity to participate in our economy and society. I look forward to working with you and the Committee on these important issues.

Mr. Chairman, this concludes my prepared statement. At this time I would be pleased to answer any questions.

The CHAIRMAN. Thank you very much, Madam Secretary.

Just to note your final comments about some of the States that are moving aggressively, you were good enough to mention the Massachusetts ET Choices and others. We just had Mr. Atkins here, commenting and responding to some questions about that program, and then you mentioned implementing the Family Support Program.

As you well know, in the review and in the hearings last year, they built into the Family Support Program a number of important elements, but two of the most important are the daycare and the health programs, for the period of a year. I think that this is in recognition—and we have seen it in the earlier part of our hearing today—of the importance of those elements. Mr. Atkins pointed out that the three major reasons why those who were moved off welfare and into employment came back to welfare were the lack of health insurance, the low wage, and the child care problems. Those were the essential reasons—I think he mentioned 75 or 80 percent of the reasons—why 30 percent of those who had gone through the program and had been the most difficult to train and get off dependency, came back.

Certainly, the Family Support Program recognizes the importance both of child care and health care. And we have talked on a number of occasions about trying to do something about minimum wages, too.

You mentioned those who are handicapped and are not employed. We are going to need these individuals involved in the labor pool. We have a rather unique opportunity to address the problems of both unemployment and welfare dependency and the needs that American companies are going to have for additional employees. So this is a general framework in which we are going to be looking at where we are going to go in this committee, and that is why we particularly wanted you here today because your more complete testimony, and the study, cover in a rather panoramic way this perspective.

I was interested in the Workforce 2000 projection of an unemployment rate of over 7,000 in the year 2000. It is interesting to me how, if the demographics are going to be as tight as all of us understand they will be, we are going to continue to have that high percent of unemployment. I do not know whether you have any special insight. I was just kind of amazed at that.

Secretary DOLE. I have noted that as well in going through the report, Mr. Chairman. I do not have any special insight on that. But I feel that certainly the challenge now is to do everything in our power to try to match up the skills that are going to be needed and the abilities of those who have not had an opportunity thus far to be involved in the economic mainstream in and meaningful jobs.

And it is not just training and education that is needed. I think you have to really begin with counseling and providing role models, and perhaps helping people work through some of their financial problems. There must also be mentors. There is a whole range of things that must be done to really help lift people out of the ghetto and inspire in them an understanding that they can make a meaningful contribution and can participate in a meaningful way.

There is the importance of literacy, remediation, job training, basic skills, education, and then, as you have mentioned with regard to ET Choices—support services as well—whether it be child care, transportation or health care. There is quite a spectrum of needs here in terms of helping to break through this cycle and help people get their foot on that ladder through meaningful employment, and the dignity, feeling of self-worth and independence that a job can produce.

The CHAIRMAN. I think that is a good response.

We had impressive testimony from Marcia Townley of the Dayton-Hudson Corporation. They have had rather remarkable success in moving some of those who would be considered to be the most difficult individuals, given the historic record of profiling their backgrounds into employment. It is short testimony, and perhaps your staff would make it available to you; you can read through it quickly. But it covers many of the things that you have mentioned here and demonstrates how, in practical terms, they have been able to do it. Hopefully, we can replicate that kind of experience in other communities.

Secretary DOLE. Yes. And I think as we have an opportunity to look hard at JTPA, for example, there are a number of things that can be done to more carefully target toward the disadvantaged and those with the lowest skill levels, to target the cities where the majority of people in that category are living and to really try to improve our performance standards in these programs.

JTPA is very good. I think there is more that we can do in terms of enhancing the literacy aspect of it, and perhaps a youth title--we will have an opportunity very soon to look at that. Of course, I hope we can move forward with making the summer jobs program year-around, which I think will provide the more in-depth opportunity that we are talking about, and perhaps increased nonresidential training with regard to Job Corps. I think this could open up more opportunities for more people, and that is something that I want to look at very clearly--how do we bring more people into these programs. And certainly, coordination is absolutely crucial. If we do not have unlimited money, then we have got to enhance the efforts that we have now. The first thing to do is to try to make the programs as effective as possible, and then to make them as efficient as possible once we know what is going to be most effective in addressing these problems. Not to be thoroughly coordinated would be just unthinkable at this point, because we have got to enhance what we can deliver through the programs that we already have.

The CHAIRMAN. One of the programs that we passed last year virtually unanimously in the Senate and which got adopted in the House, in a conference at the end of the session, was the program called JEDI, in which we have tried to target, given what we know now, those who we know, given the historical background, would be the most difficult to move out of dependency and into gainful employment. After they have been employed a year, some of the savings are shared that would come at the national level if these people continued to be on welfare with the States, and do that annually. The formula does not make a great deal of difference. The bonus payment could be 65 or 75 percent of the federal share of the welfare payment in the first year, and 65 or 75 percent in each of the second and third years. The final bill provided for 75 percent of all three years. The main point is that we really do not invest a single dollar in bonus payments until the program shows a positive result. There will be savings for the States, but there will certainly be savings at the Federal level, and we could use some of those savings at the Federal level as incentive for the States to get to move somebody else off, using financial incentives.

We saw in Mr. Atkins' testimony today and on earlier occasions that the way this thing really broke open in Massachusetts after they got the training and health care aspects of the program and the daycare, was to give some financial incentives to the groups who get these people out there and gainfully employed, to give them a real reward. So I hope you might be able to take a look at that. We had a good deal of discussion here, both in the Committee and on the Senate Floor. It is one of those bills that got the support of the Heritage Foundation and the *New York Times,* a strange combination. But I hope you might be able to take a look at this over the period of time.

Secretary DOLE. Yes, indeed, I certainly will.

And on the JEDI regulations, as I mentioned last week, there is a February 7th date on that, and we are going to come in just as close to that as we can. We are really aiming to meet that, or very soon thereafter.

The CHAIRMAN. Good.

Just looking down the road, I have a few questions on Workforce 2000. The Bureau of Labor Statistics projects that from 1982 to 1995 the 20 occupations with the largest numerical growth in jobs will account for 36 percent of all job growth during that time period. Most of the jobs, or by far the largest increase, are for janitors, clerks, waiters, orderlies, kitchen help and fast food workers. Now, the Budget Committee found in reviewing the jobs created between 1979 and 1987 that half of the jobs paid poverty wages.

I think you have talked about it, and I think all of us recognize, that we are going to need additional skills for those people to move on into the other jobs that are created.

Secretary DOLE. Right.

The CHAIRMAN. But you also spoke of the need to appreciate the dignity of work. And I would hope as we are looking down the road that we are going to be able to develop the kinds of skills training and placement for those jobs that are going to be created over this next period of time. But we should also recognize that there are going to be a number at this other level, and if we are going to make those jobs where individuals have some degree of self-worth, we do not want to miss out and forget those individuals as well.

Secretary DOLE. Exactly. And I think what I mentioned about the counseling and mentors are important in terms of really moving a person out of poverty. As I see it, it is a matter of change in attitudes and values to some extent, too, as well as basic skills, literacy, job training, and education. First, they need that foot on the rung of the ladder, and then, hopefully, as they move into those entry-level jobs, they will receive training that will enable them to develop higher skills. The experience of work and what is learned from that experience, such as the requirement of being on time for a job, is important, I think, with regard to some of our young people.

The CHAIRMAN. Yes, I certainly agree with that. But I think also we are going to find out that you have to have those new jobs at least be jobs that have some value for people to be able to maintain some sense of dignity. We can teach people to be on time and all the rest, but as we have heard in a very dramatic way from the individuals who testified earlier today, the real life challenges that they are facing make it difficult. One witness today, was working 56 or 58 hours per week for virtually the minimum wage, and bringing up two children. The only time she had been on welfare was a period of three months because she needed an operation.

So I think part of it is to make sure that we are matching the skills, which is absolutely essential, and we can do that. We have to try to find out how that can best be done. But we also have to make sure that those other jobs that are created, even though they are considered to be jobs that compensate less, at least initially are not jobs that lessen a person's self-value or self-worth. I think that is something we are going to have to face up to.

Secretary DOLE. Yes. I look forward to working with you on that particular issue, too.

As you know, in terms of minimum wage, the President has indicated that he would be in support of an increase in minimum wage, tied to a training wage, so that we do not take away the opportunity that a young person might have for an entry-level job.

The CHAIRMAN. On the concept of the training wage, in looking at the Workforce 2000, they talk about the "skills gap", and when they talk about it, they define this, as you have mentioned in your testimony, as the lack of reading, writing and math skills among far too many of our workers is something we can no longer tolerate if we are to compete. Clearly, there is a lot of training ahead, but do you include in your concept of a training wage an upgrading of these skills?

Secretary DOLE. I would hope so. I think there is no question, in terms of what is needed here. I believe that in our school system we are going to have to have higher standards—certainly, back to reading, writing, arithmetic, and really providing for measurable comparisons. I think there is going to really have to be some testing as far as our schools, our teachers, our students, and a real focus on improving the efforts there. And I think a number of businesses are starting to be involved as well in this area, which is a good trend.

The CHAIRMAN. I mentioned earlier the Fortune article on "Saving our Schools", and Brad Butler, who has appeared here, talked very eloquently about the importance of education and he reviewed with us the Perry Preschool Program and the Syracuse program. There are a number of different programs that demonstrate very clearly that getting some appropriate educational and developmental skills in the early years has had an extremely important and significant impact in dealing with the problems of school dropouts, and dealing with the problems of drug dependency, teenage pregnancy, welfare dependency, and run-ins with the law. This is something to which I am very strongly committed and I am hopeful that we will be able to get that additional component included in the various programs that we are developing as we try to deal with how we are going to focus on children in our society.

Secretary DOLE. Yes, and certainly the Head Start Program for the very young has been an excellent program, and is certainly something I feel we ought to increase our commitment to.

The CHAIRMAN. It has been a great success. We are keeping our fingers crossed on Mr. Bush's budget on that program. And as you well know, the Republican Convention endorsed a significant increase in the Head Start Program as part of their platform.

And we find in some of the Head Start programs in my own State, where they use what they call the "High Line" curriculum development, which is very similar to the kind of curriculum developed in the Perry Preschool program, it is having a very positive impact on the children in that area. It is taking place in some of the Head Start programs, but only a few, and that is something that we will have an opportunity to address.

Secretary DOLE. Yes, Mr. Chairman. This is something that I certainly look forward to the opportunity to review. Obviously, I have been around just a very short time, and there is a great deal to review. But I think it is absolutely crucial, with all these various programs, that we tie them together into a comprehensive human resources program if we are going to have an opportunity to really make an impact. We have a window of opportunity, and we have got to seize that window of opportunity. So I truly look forward to working with you to see how we can put these together in a way that is most efficient and most effective, by better targeting resources providing goals and establishing better performance standards to really zero in on this in a way that is comprehensive and meaningful.

The CHAIRMAN. Thank you very much.

I see other colleagues here. Senator Cochran, we have had, I think, a very impressive overview by the Secretary, talking about employment to the year 2000 and reviewing a lot of the various recommendations and a number of areas which the Secretary thinks ought to have special priority. We look forward to whatever comments or questions you might have.

Senator COCHRAN. Thank you very much, Mr. Chairman. I appreciate the recognition.

Also, I just wanted to be here to commend our new Secretary of Labor for the fast start in her new job, getting right back to the committee with testimony identifying some of the important goals that she has for dealing with these problems, to try to eliminate the jobs skills gap that exists. I think she has presented the committee with some very thoughtful suggestions, and we will probably be well-advised to consider very carefully the suggestions that she is making.

I know this Workforce 2000 study is a very important contribution, too, to our understanding of the trends that we see, and to know that the Secretary of Labor is aware and understands these things that are happening is also reassuring. I think they have laid out for us a lot of the complex challenges that we face with expected labor shortages, of all things, at a time when we continue to see projected unemployment among many of our Nation's younger citizens, particularly inner-city minority young people, which is very unfortunate.

I wonder, Madam Secretary, if there is not a way to use this opportunity when we are reauthorizing the Vocational Education Act this year to try to look at ways to bring to some of these previously ignored or overlooked students some training and job preparation opportunities and to try to design these educational experiences so that they will be attractive. I do not know how we do that; I am not sure anybody has got the answer, or whether there is one answer to it. But I wonder if you share that feeling.

Secretary DOLE. Well, I agree with you, absolutely. I think that this is a tremendous opportunity that we have this year with the reauthorization. And certainly the recipients of these programs deserve our very best effort to ensure that there is not a duplication of services for them at the local level in terms of various offices and various forms to fill out which really undercuts effectiveness and efficiency. So I think we have a great opportunity, and now is the time to act. We have got a blueprint before us; we know what the problems are; we want to do everything in our power to coordinate at every level and to make sure that we are as focused and as targeted as possible. And I think the setting of goals is going to be very important, and improving performance standards, things of that sort, will allow us to really measure progress and work very closely together.

In fact, my feeling is that there are many significant opportunities to coordinate with other Departments, such as with HHS on welfare reform and the JOBS program, and with education on the vocational education reauthorization. In fact, there is a literacy effort that has been ongoing with Commerce and Education and the Department of Labor that has been, I think, very meaningful—I think we are going to have to meet regularly and often, both the Secretaries and our senior staff. And I want to see that occur on a schedule, on a regular basis, so that we really move forward very seriously on this effort to coordinate. I think it is crucial.

Senator COCHRAN. I think that is important. And looking at the goals or the targets that you outline in page 7 of your testimony—setting a national literacy goal; making adult literacy programs available at or near the workplace; challenging everyone to tailor the workplace to the new work force—these are very important suggestions in my judgment, and I hope we cooperate with you in every way possible to see that this gets implemented as a matter of national policy.

Secretary DOLE. I think it is important, too. I would just add there that the idea of exploring the possibility of television programming—I have been in touch with one of the networks this week that has been very active in this area—and I believe there are some real opportunities there. There are people who just feel a real stigma going to a local center and saying, "I do not know how to read or write"—that is embarrassing to a lot of people, and they are not going to do it. Finding a way through television to do some real education for literacy appeals to me a great deal. So we need to try to work on that particular aspect as well.

Senator COCHRAN. One experience I had visiting a plant site that was under construction in my State a few years ago was that the first building being constructed at this site was a classroom, in effect to teach the applicants for jobs at this paper and wood chip processing plant a lot of the basic skills that they would need to be employed at that plant. They were going to teach these courses and some basic mathematics, some reading and writing skills that they felt would be needed to work effectively and with success at that plant.

That made quite an impact on me that private industry and business is going to have to get involved, as this employer was doing, to try to make sure that the people who are interested in working there will be equipped with the skills to succeed if they did have a job opportunity. And I think we no longer can just sit back and say let's measure the effectiveness of our programs by the amount of money that the Federal Government puts in its budget for an education program. I think, of course, financial support at the Federal level is very important, and we all recognize that. And I was delighted to see the previous Administration increase the request for funding for the Title I program, targeting money for disadvantaged children in States like Mississippi where we really do need some extra Federal assistance to help bring up the level of education among some of the students to a higher level. There is just not the resource base in some of the States to do that extra amount that is needed. So the Federal Government can play a very important role, and I hope that this Administration will be sensitive to those needs; I think that it will.

Secretary **DOLE**. Yes. As a matter of fact, there are a number of businesses that already are very active in this area and are doing a very fine job. I am planning to meet with some of them very shortly to talk with them about how we can do more in the business sector to encourage this sort of thing, and get their thoughts on what we might put together in the way of more outreach to promote this kind of involvement to an even greater extent. So I agree with you thoroughly on that. It is an area of great potential. Things are moving, but there is a lot more that can be done. And then, of course, the Federal Government can highlight those programs that have been particularly successful and use them as models for others as well.

Senator **COCHRAN**. Mr. Chairman, I thank you for the recognition.

Madam Secretary, congratulations again on the fine job you are doing in the first few days of service in the Cabinet of this new President.

Secretary **DOLE**. Thank you very much, Senator Cochran.

The **CHAIRMAN**. Senator Coats?

Senator **COATS**. Welcome again, Madam Secretary, and congratulations. You are now official.

Secretary **DOLE**. Thank you.

Senator **COATS**. The last time we talked, you were hoping to be official, and I do not think there was any doubt in anybody's mind.

Secretary **DOLE**. I thank each of you for that honor, too.

Senator **COATS**. I appreciate your statement. I think we are just beginning to grasp the significance of what it means to have a labor shortage. We have struggled for decades in this country with a labor surplus and struggled to find ways of finding meaningful employment for people, particularly disadvantaged, lower-skilled people. Now all of a sudden we are faced with what is called a labor shortage.

Just six years ago, in the Congressional District I represented, we lost the main plant of our largest employer; 10,500 jobs left because International Harvester closed their truck manufacturing plant. I remember the depths of that experience in 1982, wondering whether the community would ever come back. And today, just six years later, I visit employers in our area and throughout the State of Indiana, and they say, "I can't find enough skilled workers." They are adding new incentives to attract people, and so forth.

Well, what a tremendous opportunity and time for you to be coming on as Secretary of Labor. There are tremendous challenges, but what a much better dynamic to work with than the opposite.

Secretary DOLE. That is right.

Senator COATS. So it seems to me that to the extent that we can foster—and you are going to be in the lead in this, and hopefully we can support you—the kind of cooperative relationship between business and labor and Government, to reach out to the previously unemployed and give them the skills, the training, the incentive, the boost, the head start or whatever it takes to get them into the labor force. What a significant contribution we can make to our society if we can do this.

Secretary DOLE. Absolutely.

Senator COATS. It seems to me that in times of employment where people have a job and they are moving up the job ladder, social problems become much more manageable than they do when the opposite occurs. So I really am happy that you are there, and I am glad that you recognize the challenges that are ahead of you. I certainly want to work with you.

Secretary DOLE. Thank you. And I feel just as you do that, when we look at the problems that we face, whether it is alcoholism, drugs, teenage pregnancy, dropouts, vandalism, or all the rest—if a person has a job, to me that is the crucial thing. The dignity and the self-respect that comes with a job is of critical importance—then you can begin to impact these other areas. So I think we do have a wonderful opportunity to make a real difference for people here, and I certainly feel a sense of very strong commitment—a sense of mission, if you will—about what we are doing. That is why I particularly look forward to working with this committee because, with the years of experience here, there is much that I want to learn from members of the committee who have been involved with the various programs. That will be very helpful to me as I get up and running on these various issues.

Senator COATS. Let me ask you a question about the minimum wage and the so-called proposed youth differential. You may have addressed this—I think you did—before I came, but if you wouldn't mind just touching on it again for my benefit. I have supported that since I first came to Congress in 1981, but I know the dynamic has changed, the demographics have changed. What are the reasons why we should continue to look at a youth differential in conjunction with a potential increase in the minimum wage? What is the justification for that, and how do you see that whole thing coming out?

**Secretary Dole.** Basically, the reason would be that in terms of starting a new job, a person takes less of a salary to get that on-the-job training. We would not want to see job opportunities lost for young people who are just coming into the work force who are entry-level, who need that first job just to get their foot on the rung of the ladder. We want them to be able to move up and get training for more significant positions. We want to ensure that we do not lose those opportunities for the young and those who are just entering the work force. We would favor the training wage at the same time that we increase the minimum wage.

I believe overall that there has been quite a decrease in the number of workers at minimum wage levels. In 1981, I believe it was double what it is today, so there has certainly been progress in this area. And while about 19 million new jobs have been created since 1982, the number of minimum wage earners declined by 2.6 million. And just last year, the number of workers earning the minimum wage dropped 800,000 at the same time that we created about 3.6 million jobs.

But the profile for those on minimum wage, as I understand it, basically is a young person who is single, living at home, not in poverty, and a part-time worker. So as I say, I think that we can work together to try to figure this out. But I know the President feels that if there is going to be an increase, there should also be the training wage.

**Senator Coats.** And that would be for a specified period of time?

**Secretary Dole.** I believe so, though we have really not at this point had an opportunity to work through the legislative agenda. So I do want an opportunity to go through this before I get into very much detail as to what he is ready to support.

**Senator Coats.** Let me just ask you one more question on that. One of labor's concerns is that it would be used as a means of displacing permanent employees. I assume we could craft legislation designed to build protections in so that an employer could not lay off or terminate employment for a regular, full-time, older worker, just to keep revolving training people on through.

**Secretary Dole.** Right, I would think so.

**Senator Coats.** I would hope that we would look for a way of ensuring meeting that concern, which I think has been a legitimate concern.

**Secretary Dole.** I agree.

**Senator Coats.** I again want to tell you how pleased I am that you are there and how much I look forward to working with you in dealing with what I think is both a tremendous challenge and a magnificent opportunity in the next decade or so, to getting our people good jobs and making them a part of the system. I think it is a great challenge, but one that is doable.

**Secretary Dole.** Yes, I agree, and I think the time is now to begin to act on this.

**Senator Coats.** Thank you, Mr. Chairman.

**The Chairman.** I want to thank all of our witnesses for their testimony. This testimony is important because it casts an entirely new light on our proposals to set a minimum floor under the American worker. The evidence we have heard today shows that these proposals are important because they will make it possible for those who are out of the work force to join it. We do have a floor for those who fall on hard times, and we call it "welfare". It is less than subsistence, by definition, entails a serious risk of malnutrition, is crushing to the spirit of those supported by it, but it is in case after case better than we offer a family that chooses to work. The social safety net is full of holes and, as miserable as it may be, is often better than the support a family can find in the workplace.

These facts, in light of the coming shortage of workers, change the very nature of the debate on our relations and commitments to American workers. First, the evidence is clear and compelling that those who choose to stay in the webbing of the social safety net often do so out of a commitment to their children's best interests and not because they are lazy. They leave that protection at the peril of their children's health and well-being.

Second, the debate on minimum protections for our work force is no longer in dispute over the number of jobs that might be lost if we set a minimum standard of decency for our workers. With the labor shortage on the horizon, these arguments are at best irrelevant.

The real question is how many people will not take jobs until we guarantee that they and their children will be better off working than on welfare.

Demography is destiny, and if we ask the right questions, then the rendezvous with ours shall be a bright chapter in our history and in the lives of those we serve by sweeping out the cycle of poverty with the strong winds of a shared prosperity.

I will submit some questions from Senator Lautenberg for the record.

[Responses of Secretary Dole to questions submitted by Senator Lautenberg follow:]

FRANK R. LAUTENBERG
NEW JERSEY

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HELSINKI COMMISSION

## QUESTIONS FOR SECRETARY OF LABOR DOLE
## FROM SENATOR FRANK R. LAUTENBERG
## CONCERNING LABOR SHORTAGE IDENTIFICATION

New Jersey's Economic Policy Council and Office of Economic Policy recently reported that labor shortages are already slowing growth of the State's economy. In a 1988 survey of its membership, the New Jersey Business and Industry Association found that after insurance, labor shortages are their most serious problem. Given demographic trends that indicate a further slowing in the growth of the U.S. labor force, I am concerned that public policy be structured to identify and deal with significant labor shortages. Initially, I am most interested in labor shortage identification, since we must first know what the shortage occupations are, if we are to take appropriate action.

1. Do you believe that there is perfect information in the labor market, and that students, job applicants, and employers make well informed decisions in terms of considering current and prospective labor shortages?

2. If labor market decision makers don't have adequate information on labor shortages, why does the Department Of Labor not routinely develop and publicize a list of shortage occupations?

3. I understand that this topic has over the years been the subject of numerous Department-funded research. In fact, a 1982 study for the Department by the Institute of Labor and Industrial Relations at the University of Michigan spelled-out a methodology by which labor shortages could be identified, using currently available data bases. Has any action been taken to utilize the findings and recommendations of that study or other related research projects? If not, why not?

4. A number of years ago the Department published a monthly newspaper bulletin that identified those occupations most in demand at the public employment service job bank network. While the occupations listed were not necessarily shortage occupations, this was a useful tool to inform students and job applicants of local available job openings. Why was this widely circulated publication discontinued? In the current and forecasted environment of tight labor markets, could the Department resume publication?

REPLY TO:

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Newark, New Jersey 07102
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Suite 408 South
Camden, New Jersey 08103
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25 Main Street
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(201) 342-0938

1. **Do you believe that there is perfect information in the labor market, and that students, job applicants, and employers make well informed decisions in terms of considering current and prospective labor shortages?**

I think we all have to accept that labor market information is imperfect and always will be. Still, there is more information available than most students, applicants and employers realize and more information services -- such as testing, counseling, and job search -- than most utilize. Some of the information in question is produced by the Bureau of Labor Statistics; most, however, especially that affecting particular labor markets, is prepared and distributed at the State level by State Employment Security agencies (SESAs). Specific information about current job openings is most likely available in local Employment Security or Job Service offices.

One of the goals of my administration is to increase the intelligent use of labor market information among applicants and employers so that decisions they make will, indeed, be well informed. To do so, we will have to increase access to information that exists and increase our educational efforts regarding its use. Most of this work can best be done by governors and State agencies: SESAs, State Occupational Information Coordinating Committees (SOICCs), State economic development agencies, State planning offices, and the like. Still, I believe we at the Department can encourage States in their labor market information role, provide technical assistance and training, and otherwise facilitate the production and use of good labor market information.

2. **If labor market decision makers don't have adequate information on labor shortages, why does the Department of Labor not routinely develop and publicize a list of shortage occupations?**

Developing and routinely publishing an accurate list of "shortage occupations" would be a difficult and very costly task. The only real way to determine labor shortages is through direct measures of the imbalance between supply and demand for specific job openings. At the local level, information could only be developed for broad industry and occupation groups. It is not clear that such information would be applicable to the individual employer seeking workers or the individual jobseeker looking for work.

Information on specific vacancies collected by the U.S. Employment Service would be of very limited usefulness in determining the existence of labor shortages. This is because relatively few employers list vacancies with the Employment Service, and those that do may list only a few of their openings. The information would thus not be representative of the overall national situation.

**3. I understand that this topic has over the years been the subject of numerous Department-funded research. In fact, a 1982 study for the Department by the Institute of Labor and Industrial Relations at the University of Michigan spelled-out a methodology by which labor shortages could be identified, using currently available data bases. Has any action been taken to utilize the findings and recommendations of that study or other related research projects? If not, why not?**

The study to which you refer was intended to identify ways in which the Department of Labor might reduce the cost of processing individual labor certification requests. It demonstrated how we might, using data currently collected, eliminate from consideration occupations where no shortages exist and also identify occupations where shortages might indeed be occurring. However, such a finding was not necessarily adequate in the case of a given labor certification request. For example, while it might be determined that chefs generally are not in short supply, that finding does not necessarily speak to certification of a Vietnamese chef in Cleveland. Or while machinists might be determined to be a shortage occupation nationally, that might not be an accurate finding for the Denver labor market. Thus, judgment is required in the use of this methodology to determine whether additional information or investigation is necessary. This methodology, while helpful in the context for which it was developed, does not provide sufficient basis for estimating actual labor shortages in specific occupations or geographic areas.

**4. A number of years ago the Department published a monthly newspaper bulletin that identified those occupations most in demand at the public employment service job bank network. While the occupations listed were not necessarily shortage occupations, this was a useful tool to inform students and job applicants of local available job openings. Why was this widely circulated publication discontinued? In the current and forecasted environment of tight labor markets, could the Department resume publication?**

Publication of monthly newspaper bulletins identifying hard-to-fill openings was discontinued in 1982 because: (1) it was not the most efficient way to make this information available, and (2) the information was limited to those employers choosing to list openings with the employment service and such employers only list some of their openings. The same sort of data are made available to States through microfiche mailings. In addition, seventeen States acquire that information, on a weekly basis, electronically from the Interstate Job Bank (IJB) in Albany, New York, either through on-line connections or via tape. The jobs filed with IJB consist of vacancies that are not readily filled at the local level by employment service offices. The intent of such information sharing is to make job vacancy information available across labor market boundaries.

The **Chairman**. Again, we are delighted to have you here, Madam Secretary.

Secretary **Dole**. Thank you, Mr. Chairman.

The **Chairman**. We will recess until tomorrow morning at 10:00.

[Whereupon, at 3:50 p.m., the committee was adjourned.]

# THE LABOR SHORTAGE—POVERTY AND EDUCATIONAL ASPECTS

## The Education Agenda

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FRIDAY, JANUARY 27, 1989

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
*Washington, DC.*

The committee met, pursuant to notice, at 10:00 a.m., in room SD-430, Dirksen Senate Office Building, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Pell, Thurmond, Cochran, Kassebaum, and Coats.

### OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. The committee will come to order.

I want to welcome our witnesses to the second in our series of hearings on the unprecedented labor shortage likely to confront the Nation in the next decade and well into the beginning of the next century.

Yesterday we heard testimony from Secretary Elizabeth Dole on the labor aspects of the shortage. Today we will hear from Secretary Cavazos about the educational aspects.

The coming labor shortage will be most severe among skilled workers, unless we begin now to prepare the class of 2000, the first-graders of today, to meet the challenges of the future.

It is no secret that we have lost ground in recent years because of the low priority assigned to education. We have lived too high on the hog, and we have failed to plant enough seed corn. Too many students will drop out of school in the next few years; too many others will graduate without being able to complete a job application form or read a bus schedule.

As the chart here indicates, Federal education spending today adjusted for inflation is below the level of 1980. This chart is quite revealing. If you take the amount of Federal resources in 1980 and adjust it for inflation, it would be at this level, here. The actual request over the previous Administration is down through here, and the most recent request now has moved it back up to about what was actually appropriated last year. The real question now is where we are going to be going in terms of the next year and following years.

Six years after the report called, "A Nation At Risk", pointed to the crisis in our schools, we are still spending less in real terms than we were in 1980. Now, with a new Administration, perhaps we can fund education as if our future depends on it—because it does. The road to a kinder, gentler Nation begins at the schoolhouse. If we are to have the kind of America we all want, a strong and prosperous society with opportunity for all Americans, we need Federal investment and Federal leadership in education.

President Bush will have no stronger partner than Congress in his effort to be the education President. Just one year ago, he said he wanted to lead a renaissance of quality in our schools and added, "I can say unequivocally that I will not support any further cuts in total Federal funding for education."

One area where we should be doing more is in early childhood education. School failure begins at an early age. Some children live in such deprivation that they are already below their grade level on the day they enter kindergarten. Their chance of ever catching up ranges from slim to nonexistent.

There is strong evidence that effective early education efforts can reach these children. Children in these programs are twice as likely to go on to college. Quite revealing are the results of the Perry Preschool program and other studies. You can see that of those who have been involved in early childhood education—this is over an extensive period of time—a higher percentage graduated from high school, 66 to 49; went on to higher education, 38 to 21; were literate 61 to 38 percent; were employed, 50 percent to 32; almost half fewer were on welfare, and fewer had an arrest or problems with the law. This data is from the early education program, at the Perry Preschool, but there have been a number of other studies that demonstrate similar results.

We also need to improve the recruitment and retention of teachers. One of the serious aspects of the labor shortage is the teacher shortage, particularly in urban areas and in specialized fields. Shortages are particularly significant in subjects where we need to improve our competitiveness.

This chart shows "Principals reported difficulty in hiring fully-qualified applicants for teaching vacancies, by subject." You can see, physics, is 72 percent; chemistry, 63 percent; computer science, 62 percent, and mathematics at 57 percent.

The areas here are key to the United States competing in the world economy, and they have been identified time in and time out as the areas of greatest need in terms of recruiting qualified people to teach our young people.

That gap is increasing, and it is becoming increasingly difficult to be able to recruit those individuals. Many factors account for this—low salaries and prestige, inadequate training, dismal working conditions, and lack of control over decisionmaking.

Finally, we need to address the growing problem of lagging minority participation in the generally favorable trend in high school graduation rates and college enrollment.

Finally, let me say a word about the committee. We need an education President, but we already have an education Senator. Our Education Subcommittee will once again be chaired by Senator Pell. Over the years, Senators on both sides of the aisle have benefitted from his leadership on education matters, and so has the country. The ranking minority member on education will be Senator Kassebaum, and I look forward to working closely with her on these major issues.

I will now recognize my friend and the chairman of our Education Subcommittee, Senator Claiborne Pell.

## OPENING STATEMENT OF SENATOR PELL

Senator Pell. Thank you very much, Mr. Chairman, and thank you particularly for your kind words and the way you have helped us in our work through the years.

I congratulate you on holding this hearing, which will provide us with an overview of the state of education as we begin the 101st Congress.

I also particularly want to extend a warm welcome to the Secretary of Education and to convey to him as the representative of our President that at this end of Pennsylvania Avenue, we gladly accept the President's extended hand of friendship.

At the outset of this new Congress, we have a golden opportunity to forge a bipartisan partnership between the Executive and Legislative Branches on behalf of education. We very much look forward to working with this Administration to strengthen and enhance the critical assistance provided through Federal education programs.

I would be most remiss if I did not welcome my new colleague on the committee and the subcommittee, Nancy Kassebaum, as the ranking minority member. I look forward to working closely with her in the months ahead. The strong spirit of bipartisanship has been the hallmark of our subcommittee and our work and remains a concept to which I am deeply committed. While I personally regret that we no longer have the firm of "Pell and Stafford", or "Stafford and Pell", depending on the vagaries of the political elections, I look forward to forging a new partnership with my colleague from Kansas.

I would add that this has been the mark of the subcommittee when we worked with Senators Prouty and Dominick and in the full committee with Senator Javits and Senator Stafford for the last 10 or 12 years, and I hope this will continue and expect it to.

The 101st Congress will be a busy one with a wide range of issues. We look forward to the work that we will be doing in this regard, and we should bear in mind that, as I have often said, the real strength in our country is not the gold in Fort Knox or the machines of construction we build or the weapons of destruction; the real strength of our Nation is the education and the character of our people. And this is where you, Mr. Secretary, in our work together, will play a very real role.

Thank you, Mr. Chairman.

The Chairman. Thank you, Senator Pell.

Senator Coats?

## OPENING STATEMENT OF SENATOR COATS

Senator Coats. Thank you, Mr. Chairman.

I am very pleased that you have assembled such distinguished panelists to discuss the pressing educational challenges facing our Nation. One of the five education bills in the American Family Act that I introduced last fall in the House of Representatives was a proposal for school-based management shared decisionmaking. It was developed in large part because of the exciting innovations in Dade County, Florida under the leadership of Dr. Fernandez. This creativity is a breath of fresh air we need to encourage on a national basis.

I also feel Dr. Fernandez' innovations, which maximize local sensitivity as well as the character education programs that parents desire, significantly contributed to the success of the major school funding initiative passed by voters in Dade County. If schools are sensitive to parents, the community will respond to their legitimate educational needs.

Secretary Cavazos has been a leader in identifying the need to raise expectations as well as opportunities for minority youth. He has eloquently spoken out on the need for school restructuring and parental choice.

In my open enrollment and bootstrap school bills that are part of the American Family Act, I based many of the ideas on the amazing success story of District 4 in East Harlem. The Secretary also praised this program at a recent White House Conference on Choice in Education. I am looking forward to discussing these ideas further with the Secretary.

The task we face is formidable, Mr. Chairman. We may disagree on what some of the solutions should be, but like you, I am committed to helping all Americans have the opportunity to reach their full potential.

I thank you and look forward to our panelists.

The CHAIRMAN. Thank you very much. The prepared statements of Senators Hatch and Simon (with an attachment) will be inserted in the record at this point.

[The statements referred to follow:]

## ORRIN G. HATCH STATEMENT

## EDUCATION HEARING

This morning's hearing on a variety of education issues is certainly an appropriate topic, given our current national needs and President Bush's commitment to be the "Education President." I hope this hearing will begin the Labor and Human Resources Committee's effort to address these critical national education issues and to work with the President on his education agenda.

In that regard, I welcome all of our distinguished witnesses here this morning and, in particular, Secretary Cavazos. His recent comments about the necessity of facing our national "education deficit" have been forthright and stimulating. We look forward to examining solutions to this problem in more depth during the 101st Congress.

Allow me to use this opportunity to acknowledge the distinguished Senator from Kansas, Senator Nancy Kassebaum, who has joined this Committee and will serve as the Ranking Minority Member of the Education Subcommittee. She is dedicated to serving students of all ages in all areas of our country, and I look forward to working with her. And, of course, I am pleased once again to be working with the distinguished Chairman of that Subcommittee, Senator Claiborne Pell. With their joint leadership, I am confident that we can all proceed, as in the past, to meet our nation's education needs in a cooperative, bipartisan spirit.

I shall study the testimony from this hearing carefully and am sure it will provide many good insights for the Committee's further discussion.

Paul Simon

STATEMENT OF SENATOR PAUL SIMON (D-IL)
SENATE LABOR AND HUMAN RESOURCES COMMITTEE HEARING
"THE EDUCATION AGENDA FOR THE 101st CONGRESS"
January 27, 1989

MR. CHAIRMAN, I JOIN YOU AND EACH OF MY COLLEAGUES IN WELCOMING OUR NEW SECRETARY TO THE FIRST COMMITTEE HEARING ON EDUCATION IN THE 101st CONGRESS. I AM PLEASED AND ENCOURAGED BY PRESIDENT BUSH'S DECISION IN REAPPOINTING SECRETARY CAVAZOS AND I CONGRATULATE THE SECRETARY ON THIS REAPPOINTMENT.

THROUGH CONVERSATIONS WITH THE SECRETARY OVER THE LAST FEW MONTHS, I KNOW THAT WE SHARE SIMILAR VISIONS FOR IMPROVING THE EDUCATION OF OUR YOUTH AND FOR IMPROVING THE "EMPLOYABILITY" SKILLS OF OUR FUTURE WORKFORCE. I LOOK FORWARD TO WORKING WITH THE SECRETARY DURING THE NEXT FOUR YEARS TO ACCOMPLISH THESE GOALS.

MR. CHAIRMAN, I ALSO JOIN YOU IN WELCOMING EACH OF OUR DISTINGUISHED PANELISTS, MANY OF WHOM ARE PERSONAL FRIENDS THAT I HAVE HAD THE PLEASURE OF WORKING WITH FOR A NUMBER OF YEARS. THERE HAVE BEEN COUNTLESS STUDIES DONE OVER THE LAST FIVE YEARS ON OUR EDUCATION SYSTEM, ON OUR YOUTH, ON THE NEEDS OF OUR CHANGING WORKFORCE. MANY OF OUR PANELISTS ARE RESPONSIBLE FOR AUTHORING OR ISSUING THESE REPORTS.

A SAMPLE OF THESE REPORTS INCLUDE: A REPORT OF THE COUNCIL OF THE GREAT CITY SCHOOLS, "TEACHING AND LEADING IN THE GREAT CITY SCHOOLS;" THE AMERICAN COUNCIL ON EDUCATION, "ONE-THIRD OF A NATION;" THE CARNEGIE FORUM ON EDUCATION AND THE ECONOMY, "A NATION PREPARED: TEACHERS FOR THE 21ST CENTURY;" THE WILLIAM T. GRANT FOUNDATION, "THE FORGOTTEN HALF: PATHWAYS TO SUCCESS FOR AMERICA'S YOUTH AND YOUNG FAMILIES;" THE COMMISSION ON NATIONAL CHALLENGES IN HIGHER EDUCATION, "MEMORANDUM TO THE 41ST PRESIDENT OF THE UNITED STATES;" THE NATIONAL SCHOOL BOARDS ASSOCIATION, "A NATIONAL IMPERATIVE: EDUCATING FOR THE 21ST CENTURY;" AND, THE NATIONAL ASSOCIATION OF STATE BOARDS OF EDUCATION, "RIGHT FROM THE START." THIS LIST IS ONLY A SMALL SAMPLE OF THE NUMEROUS STUDIES DOCUMENTING THE URGENT NEED TO IMPROVE AND REFORM EDUCATION AND TO STRENGTHEN RELATED PROGRAMS.

WE MUST CHANGE THE EDUCATIONAL FUTURES OF MANY ECONOMICALLY DISADVANTAGED YOUTH IF WE ARE TO MEET THE CHALLENGE OF THE NEXT CENTURY. WE CAN NO LONGER IGNORE THE NEED FOR A WELL-EDUCATED AND SKILLED WORKERFORCE THAT WILL LEAD US INTO THE 21ST CENTURY AND AN INCREASINGLY HIGH-TECH ECONOMY. IN 1987, THE NEW YORK TELEPHONE CO. HAD TO TEST SOME 60,000 APPLICANTS IN ORDER TO FILL

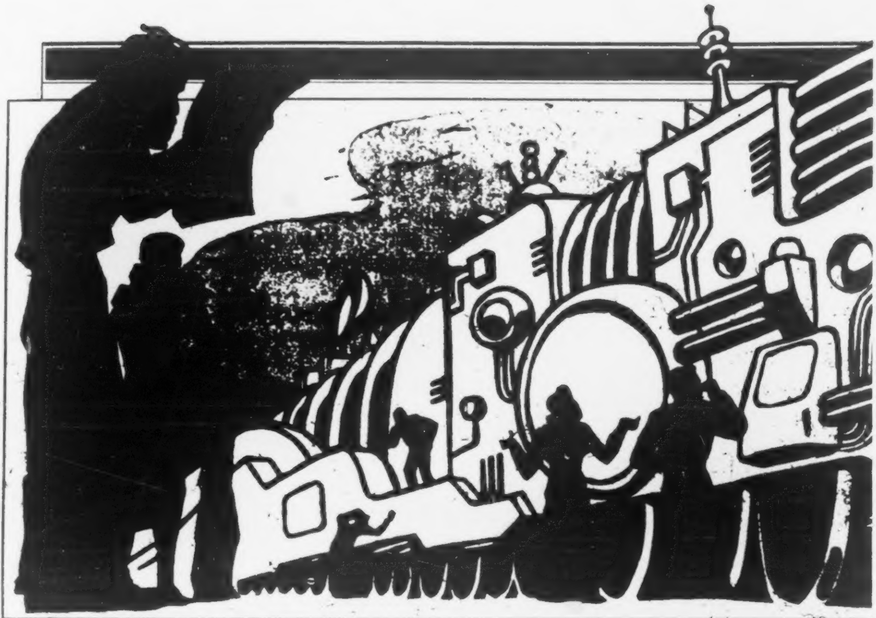
3,000 ENTRY LEVEL POSITIONS. THIS SITUATION CANNOT BE TOLERATED IN THE WORKPLACE AND IT CANNOT BE ACCEPTED FROM OUR SCHOOL SYSTEM IF WE ARE TO MAINTAIN OUR LEADERSHIP IN A "GLOBAL MARKETPLACE."

THE U.S. IS FACING TWO HUMAN RESOURCE TREND LINES -- THE SUPPLY OF UNSKILLED AND UNEDUCATED LABOR IS INCREASING, WHILE AT THE SAME TIME DEMAND FOR UNSKILLED LABOR IS DECLINING. BY THE YEAR 2000, EMPLOYMENT IN PROFESSIONAL AND MANAGERIAL JOBS WILL INCREASE BY 5.2 MILLION, WHILE LABOR POSITIONS WILL GROW BY ONLY 1.3 MILLION JOBS. IN ADDITION, ONLY 10% OF THE JOBS CREATED BY THE YEAR 2000 WILL BE IN MANUFACTURING -- THE REST WILL BE IN THE SERVICE SECTOR.

AS DISCUSSED IN "THE FORGOTTEN HALF," COMPLICATING THIS TREND IS THE FACT THAT OUR NATION HAS SYSTEMATICALLY UNDER-INVESTED IN OUR NON-COLLEGE BOUND YOUTH. CURRENTLY, IN THE JOB TRAINING PARTNERSHIP ACT (JTPA) PROGRAMS, WE SPEND ABOUT $2000 PER PERSON ON FOUR MONTHS OF TRAINING FOR THE NON-COLLEGE BOUND YOUTH. IN COMPARISON, WE SPEND AN AVERAGE OF $20,000 OVER 4 YEARS IN PUBLIC AND PRIVATE FUNDS ON THOSE ELIGIBLE LOW AND MIDDLE INCOME STUDENTS WHO ARE COLLEGE BOUND.

FINALLY, MR. CHAIRMAN, IN TERMS OF OUR LONG-TERM COMPETITIVENESS AND ECONOMIC SECURITY, WE CAN NO LONGER AFFORD TO IGNORE THESE "FORGOTTEN HALF" AND THE FUTURE OF OUR WORKFORCE. WE NEED TO ADDRESS THE NEEDS OF THESE YOUTH AND WE NEED TO DRAMATICALLY IMPROVE THE "PIPELINE" PREPARING AND EDUCATING OUR CHILDREN TO ENTER THE WORKFORCE. ALL CHILDREN MUST BE PROVIDED THE OPPORTUNITY TO REACH THEIR FULL EDUCATIONAL POTENTIAL.

I LOOK FORWARD TO HEARING THE TESTIMONY OF THOSE HERE TODAY AND I LOOK FORWARD TO WORKING WITH EACH OF THEM TO TACKLE THE MULTIPLE CHALLENGES WE FACE. MR. CHAIRMAN, I ASK UNANIMOUS CONSENT THAT AN SEPTEMBER 1988 ARTICLE FROM BUSINESS WEEK, "NEEDED: HUMAN CAPITAL" BE INSERTED IN THE RECORD FOLLOWING MY STATEMENT.



# NEEDED: HUMAN

Who will do America's work as the demand for skilled labor outstrips a dwindling supply? The U.S. has lost much ground to competitors, and investing in people looks like the way to retake it. After years of neglect, the problem of human capital has become a crisis

Take a trip back to wha
may be our future. It i
the 1851 industrial exhi
bition at the Crysta
Palace in London. Brit
ain is the dominan
world power. The U.S
is No. 2 in industry an
catching up fast.

Made-in-America reapers, muskets, and tools ar
the marvels of the show. British businessmen ar
amazed at what they see. Products are assemble
from completely interchangeable parts. Here i
true mass production for the first time. So im
pressed are they that they name it "the America
system of manufacture."

Worried delegations of British industrialists se
sail to investigate. Their findings? American manu

ILLUSTRATIONS BY ROSS MACDONALD

**Special Report**

# CAPITAL

facturing prowess is in large part due to a highly educated work force. The Yankees have an astonishingly high literacy rate of 90% among the free population. In the industrial heartland of New England, 95% of adults read and write. In contrast, just two-thirds of the people in Britain are literate.

**BLINDSIDED.** Now zip ahead a century or so to the 1980s. The U. S. is the dominant world power, and it is Japan that is No. 2 and closing fast. American CEOs marvel at the quality of Japanese products flooding their markets. They make pilgrimages to Tokyo. Their findings? Manufacturing superiority is being forfeited to the Japanese. And yes, once again, behind the success in manufacturing prowess lies a better-educated work force. In 1988, Japan's functional literacy rate is better than 95%. In America it's down to about 80%.

Illiteracy is but a symptom of the larger problem afflicting the U. S. economy. The $150 billion yearly trade deficit and a foreign debt of half a trillion dollars reflect the inability of a large percentage of the American work force to compete effectively in an integrated world economy. "Much of the success of Japan stems from the fact that its blue-collar workers can interpret advanced mathematics, read complex engineering blueprints, and perform sophisticated tasks on the factory floor far better than blue collars in the U. S.," says Merry I. White, professor of comparative sociology at Boston University and author of *The Japanese Educational Challenge*.

America, in short, has been scrimping on human capital. After trying to solve its serious competitiveness problems by pouring hundreds of billions of dollars into capital equipment, the country is discovering that it has been blindsided when it comes to workers. Corporate restructuring and a sharply cheapened dollar may have arrested the economic decline, but investing in people is turning out to be the only way to reverse it.

Society's failure to invest is already haunting the business community. Chemical Bank in New York must interview 40 applicants to find one who can be successfully trained as a teller. And IBM Corp. discovered after installing millions of dollars worth of fancy computers in its Burlington (Vt.) factories that it had to teach high-school algebra to thousands of workers before they could run them.

Building up human capital is becoming a national priority. After years of neglect, it has finally entered the political arena, at least on the rhetorical level. Just listen to the messages being broadcast by both Presidential candidates. Who will be the "Education President?" Who will do the most to train workers or provide child care to working mothers?

Those messages are long overdue. More than two centuries ago, Adam Smith pointed to the improvement in the skills of workers as a critical source of economic progress and a means of raising living standards. Wrote Smith in *The Wealth of Nations*: "A man educated at the expense of much labor and time to any one of those employments which require extraordinary dexterity and skill may be compared to one of those expensive machines."

**'ABSOLUTELY CRUCIAL.'** The evidence is overwhelming that people, not machines, are the driving force behind economic growth. In the period from 1948 to 1982, the nation's gross national product increased at an annual rate of 3.2%. Edward Dennison, an expert in growth economics, finds that one-third of that gain was caused by the increase in the education level of the U.S. work force and about half the growth was the result of technological innovation and increased know-how, which also depend on education. But just 15% of the total increase was the result of more capital equipment.

While Washington has been hell-bent on throwing incentives at business to increase spending on plant and equipment, outlays for human capital in the past 15 years have lagged behind. In the period from 1959 to 1971, total spending per student in public and private elementary and high schools grew at a brisk 4.7% a year, after adjusting for inflation. That was more than a full percentage point above the robust 3.6% rate of increase in the GNP and even a smidgen higher than what business spent on plant and equipment. But from 1971 to 1985 things changed drastically. Dollars for education increased at a rate of just 2.7% in real terms, the same rate as GNP growth but 1.5 percentage points below the spending rate for capital investment.

And a good part of the money spent on education has not gone to those who teach the nation's young. Excluding administrative and capital cost from school budgets, from 1959 to 1971 teachers' salaries after inflation increased at a 2.8% annual rate. But then, even as international competition started to heat up, teachers' salaries nose-dived, falling by 1.25% a year until 1985. They've bounced back a bit since, but in real terms, salaries are barely above their 1971 level. Small wonder that top-notch college graduates are not attracted to teaching.

True, the U.S. spends plenty on education: $185 billion a year on primary and secondary schools alone. When colleges and universities are added in, the figure soars to $310 billion—more than is spent on defense. American universities are the best in the world, but elementary and high schools are another story. The U.S. gets a lot less for its education buck than do Japan and Europe. U.S. students attend class 180 days a year. French and German kids go 220 days, and Japanese children spend 240 days in school a year. American high school students score below both their foreign counterparts in international math and science tests. They test two to three years behind the Japanese, neatly matching the difference in time spent in school from kindergarten through high school. Worse, half of the kids in inner-city public high schools drop out. "The issue is not money, it's competent use of money," says Pat Choate, director of TRW Inc.'s Office of Policy Analysis. "Janitors in New York City schools make more than teachers. Education systems are patronage systems. Community boards give out jobs."

**SECOND FIDDLE.** Educating America's future work force reaches beyond the classroom. A fourth of all children born in the U.S. will be on welfare sometime in their lives. A quarter of all American

**SPECIAL REPORT**
Society's failure to invest in the work force already haunts business *Page 100*

**LABOR**
The gap between jobs and the skills of applicants is alarmingly wide *Page 104*

**DEMOGRAPHICS**
Employers must look to women, minorities, and the elderly *Page 112*

**UNDERCLASS**
In the face of prosperity, a growing underclass of the unemployed *Page 122*

**EDUCATION**
Everyone agrees that the system needs fixing. The question is how *Page 129*

**BUSINESS AND THE SCHOOLS**
Companies are taking a more active role in educational reform *Page 134*

**CONCLUSION**
What we must do to upgrade our No. 1 asset—the American worker *Page 140*

children are born out of wedlock, and 42% of them will live in a single-parent family before they reach their eighteenth birthdays. As a result, education often plays second fiddle to the more pressing needs of survival.

The once-pervasive family role in education appears to be seriously eroding. With both parents in most families now working, the question of who's reading to the three-year-old and checking up on Junior's geometry homework is becoming a national concern. In Japan the mother plays such a strong role in teaching her children that she is known as "education mama." Here, the "education mama" is vanishing—and "education papas" aren't taking up the slack.

One big exception is in the Asian-American community. "This year, 22% of MIT's freshman class is Asian-American," says Lester C. Thurow, dean of the Sloan School of Management at Massachusetts Institute of Technology. "The big reason for Asian-American success in public schools is family; family means some parent telling you that education is important."

At a time when jobs require higher levels of math, science, and literacy than ever before, the economy is becoming increasingly dependent on the groups that often receive the poorest education. Between now and the year 2000, more than half of all new workers hired will be minorities, nearly three times the current figure. Blacks and Hispanics have the highest school dropout rates in the country and lag significantly behind the national average on test scores.

15%
U.S.-BORN
WHITE
MALES
7%
13%

But there is hope. The needs of the American workplace and the needs of the disadvantaged may be merging for the first time in recent history. The drive to raise productivity and increase international competitiveness is transforming the debate over social equity into a discussion about economic growth.

**BENIGN NEGLECT.** The Reagan years were an understandable reaction to the free-flowing social spending that earmarked the 1960s and 1970s. The national focus shifted to restructuring industry, deregulating the economy, and personal advancement. In the 1980s, programs for the bottom half of society got the deepest cuts. It wasn't all "welfare," either. The Labor Dept.'s manpower training programs were hit hard as well.

Those cuts in training could not have been timed worse. "The split between the top half and bottom half in society has been widening for the past decade, no matter how you cut the data," says Harvard University's Richard B. Freeman. "The educated, the skilled, and people in certain industries and jobs have done well. The rest have not." This inequality can only worsen if the human-capital deficit is not solved. The internationalization of the economy in the 1980s pitted the U.S. labor force against workers around the world. The results? "Trade has killed the earnings prospects for less educated people," says Freeman. "They must compete with lower-wage people overseas. As long as we trade with Korea, the less educated will have a problem."

That competition has proved devastating. From 1959 to 1986, earnings for young men who quit high school fell by 26%, adjusted for inflation. Even high-school grads saw their earnings drop by 9%, while those of college graduates rose by 6%.

In the final analysis, wage gains and losses mirror what is happening to worker productivity. The huge decline in the wages of America's unskilled labor force shows that it is no longer competitive in the international economy. The productivity of the unskilled is plummeting, while worker productivity abroad is soaring. This could signal major losses in the battle for world markets. The U.S. may now be entering an era when neglect of the bottom half of society begins to threaten the welfare of the entire nation.

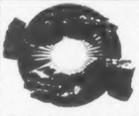
In the following articles the editors of BUSINESS WEEK lay out the dimensions of the human-capital crisis—and what the country must do about it.

*By Bruce Nussbaum in New York*

Special Report

# WHERE THE JOBS ARE IS WHERE THE SKILLS AREN'T

As work becomes more knowledge-intensive, employers are fishing in a shrinking labor pool



In a dynamic economy there is always a gap between job demands and worker skills. Through most of its history, the U.S. has managed to keep that gap small. But not anymore. The nation is facing a monumental mismatch between jobs and the ability of Americans to do them.

Unless the U.S. invests more to close this human capital deficit, the economy will be shunted onto a lower growth track. The drive to improve technology and productivity could founder on a shortage of competent workers. There will be a social price, too: Lower-skilled minorities will find it harder than ever to land good jobs. The earnings differential that already is growing between the top and bottom halves of the work force could get even larger. The nation could become further polarized between skilled and unskilled workers.

**NEW YARDSTICK.** Three forces are combining to produce the leap in the skills the economy will require. First, technology is upgrading the work required in most jobs. The modern workplace needs people with high reading and math capabilities, so millions of jobs go unfilled while the army of the unskilled remains unemployed.

Second, job growth will be fast mainly in high-skill occupations. Most of these jobs will be in the service sector. This kind of work now requires knowledge that wasn't necessary 20 years ago.

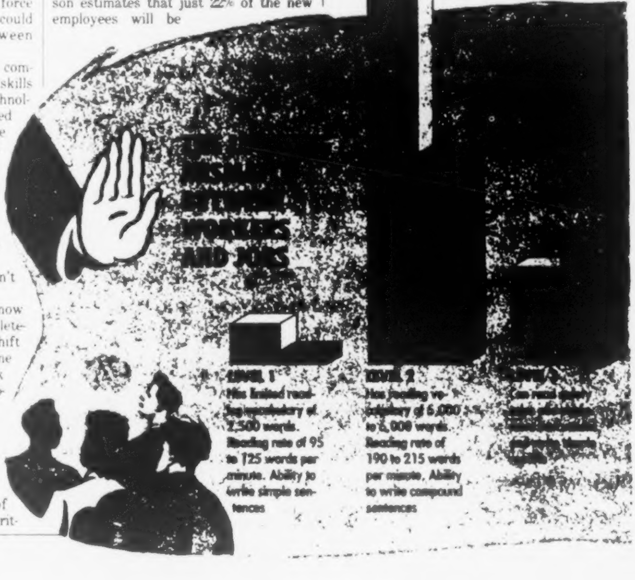
Finally, the way in which work now is being organized requires a completely new set of skills. As companies shift from the old models of assembly-line production to Japanese-style work teams, employees will have to sharpen their abilities to communicate.

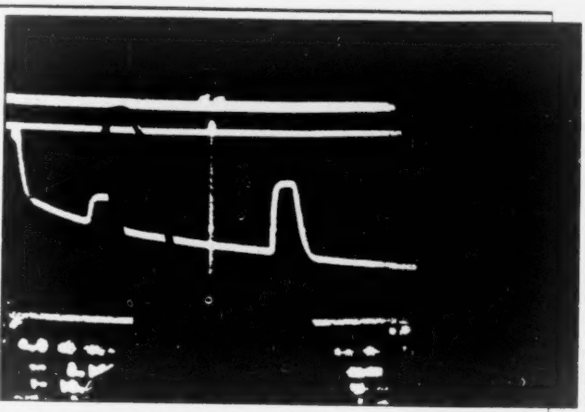
A detailed look at how new workers will match up against new jobs between now and the year 2000 tells the story (chart). The Labor Dept. has devised a method for measuring, on a scale of one to six, the levels of reading, writing, and vocabulary needed to perform a wide range of jobs. The Hudson Institute, an economic think tank, has matched the new jobs that the economy will create against these scales. Here is what they found:

More than three-quarters of the nation's new workers will have limited verbal and writing skills (Levels 1 and 2). But they will be competing for only 40% of the new jobs. Most new jobs will require workers who have solid reading and writing skills, but fewer than one in four new employees will be able to function at the needed levels. Retail sales, for example, will be among the occupations providing the most new jobs. To fill those jobs, most retail employees will have to function at Level Three. They will have to write up orders, compute price lists, and read merchandise catalogs. Sound simple? Nevertheless, Hudson estimates that just 22% of the new employees will be able to function at Level Three or better.

For jobs in nursing or management, the educational ante is higher. Most of these jobs, which often require more than a high-school education, need skills at Level Four or above: an ability to read journals and manuals, write reports, and understand complex terminology. Just 5% of the new employees will be able to do that.

**DAUNTING TASK.** As many as 50 million workers may have to be trained or retrained in the next 12 years—21 million new entrants and 30 million current workers. The most daunting task ahead is to educate and train the young work force entrants. The decline in the number of 21- to 25-year-olds means that employers now must dig deeper into the barrel of the poorly educated. And a larger proportion of new workers will be





**TIME TO REWIRE**

*As New York Telephone switches to fiber optics, it's rushing to retrain workers—proof that the skills gap affects longtime employees as well as recruits*

minorities and immigrants, who tend to have less education and fewer skills than other employees.

Minorities are the neediest of these new workers. But as employers become increasingly dependent on them, minorities are lagging behind in reading and writing skills. And those already working tend to be stuck in occupations that are disappearing, while few have jobs in growing industries (table, page 108).

As the economy continues to expand, big companies are looking harder for new workers. But many minorities with low skills still aren't being hired. Last year, Nynex Corp.'s New York Telephone Co. had to test some 60,000 applicants—many of whom were minorities—to hire 3,000 people. "There are lots of people who still want jobs, but they're dropouts who aren't qualified," says Howard Harman, New York Telephone's director of employment.

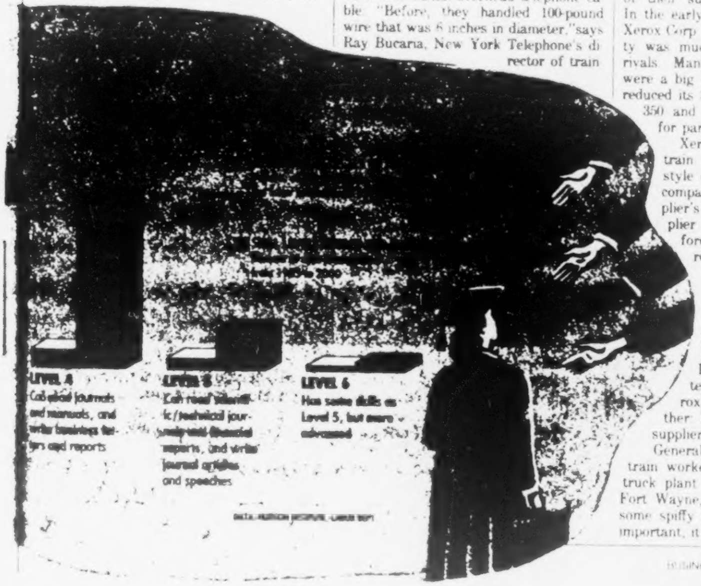
People who already are working will need massive retraining to keep pace with changing job requirements. They are the 30 million who will need more math and science to operate computers and robots on the assembly lines or better reading and writing skills to keep up in the office.

True, many companies are using technology to replace workers—but those employees who stay on the job generally must improve their skills. For instance, New York Telephone has used new technology to help shrink its work force, which now numbers about 50,000, compared with 106,000 in the early 1970s. Nonetheless, the company has been forced to increase its in-house training rapidly to upgrade the skills of its remaining workers. NYT has four technology-learning centers where employees are taught to operate the handheld computers that telephone repairers use to keep track of orders. One five-day course retrains skilled splicing technicians who install overhead telephone cable. "Before, they handled 100-pound wire that was 6 inches in diameter," says Ray Bucaria, New York Telephone's director of training. "Now they must learn to use fiber optics, which means splicing very delicate fibers—like a brain surgeon, almost."

A growing number of companies go so far as to train the employees of their suppliers. In the early 1980s, Xerox Corp. found that its product quality was much poorer than that of its rivals. Management decided suppliers were a big part of the problem. Xerox reduced its 3,000-odd suppliers to about 350 and raised tolerance standards for parts it buys from them.

Xerox then began a program to train its suppliers in Japanese-style quality control. Typically, a company employee trains the supplier's management, and the supplier then trains its own work force in the new methods. Xerox initially will train about 100 of its 350 suppliers, at an estimated cost of $1.5 million. "Training suppliers has become a permanent part of the way we do business," declares Robert Fletcher, who manages material quality assurance at Xerox. Motorola Inc. goes further: It even trains its suppliers' suppliers' work forces.

General Motors Corp. had to retrain workers when it opened a new truck plant a year and a half ago in Fort Wayne, Ind. The plant does have some spiffy new technology. But more important, it has a new team-production


LEVEL 4
Can read journals and manuals, and write business letters and reports
LEVEL 5
Can read scientific/technical journals and financial reports, and write journal articles and speeches
LEVEL 6
Has same skills as Level 5, but more advanced

DATA: HUDSON INSTITUTE, LABOR DEPT.

system. Both workers and management had to go through intensive training in group dynamics and problem-solving to increase manufacturing productivity.

"Our people never heard of this until a few years ago," says Don Davis, the union head of a GM/UAW joint training program in Detroit. In all, Fort Wayne's 3,000 employees took 1.9 million hours of training, including time to learn the new technology. That's more than 633 hours per worker.

Companies are now spending some $30 billion a year on worker training. A lot of that money is going to upgrade the skills of office workers. Take Mary Ann Moscillo. After her father died, she dropped out of school at 16 to work as a clerk in the mail room at Blue Cross/Blue Shield of Massachusetts. She wasn't able to advance on the job for almost a decade. Then she enrolled in a remedial education program run and paid for by Blue Cross, and she learned reading, math, and history. Armed with a new high school diploma, Moscillo has had three promotions. Now, she compares claims made by hospitals with payments Blue Cross makes to them, finding and explaining variances between the two.

**BABY BUST.** The churning economy is generating millions of displaced workers. They account for more than one-half of the people already at work who will need retraining by 2000. Throughout the 1980s, some 2.3 million workers have been displaced each year, according to the Bureau of Labor Statistics. Roughly 1 million long-term workers—those on the job three years or more—have been displaced annually. Approximately 30% of these lack basic skills—reading, writing, and arithmetic. Consequently, a third never found new jobs at all. Others found work but at substantially lower pay.

Elite workers, as well, could be in short supply. Because of demographic trends, the U.S. is facing a long-term shortage of scientists and engineers. The number of both has climbed steadily in the past two decades, but only because the baby boom brought many young people into the labor force. The percentage of students who choose these fields has actually remained constant. In the past 30 years, the proportion of 22-year-olds acquiring bachelors' degrees in science and engineering has remained within a narrow band of 3.7% to 4.3%, according to the National Science Foundation (NSF).

-4%
ASSEMBLERS

DATA: BUREAU OF LABOR STATISTICS

If this trend continues, the baby bust could cause growing shortages. If just 4% of students continue to choose science or engineering, the NSF warns, there could be a cumulative shortfall of more than 400,000 science and engineering BAs through the year 2000. Half of all engineering students at the graduate and postgraduate levels already are foreigners. And this country is facing a shortage of 27,000 PhDs by the end of the century.

Economists are quick to point out that in these relatively high-paying fields, shortages are likely to push up salaries and attract more people. But there's little evidence that previous shortages enticed more students to scientific fields.

**GROWING GAP.** In addition, market mechanisms may not work quickly enough to remedy shortfalls of PhDs, who require an additional six to eight years of schooling. "Usually the decision to enter science is made in high school," says John H. Moore, deputy director of the NSF. "We need to do something today to get teens thinking seriously about careers in these fields—or we'll be in trouble."

The skills gap poses a threat to American society that goes beyond simply the economy. Currently, labor shortages in New England and elsewhere are driving up wages for jobs in fast-food eateries. If new workers don't become better qualified, this situation may change drastically as shortages move up the skills ladder. Many new job-seekers could wind up competing for a dwindling number of low-skilled jobs, while higher-skilled jobs go begging for want of qualified workers.

That would drive down wages for low-skilled workers, who can least afford it, and raise wages for skilled employees, who are already better paid. The social consequences of this are clear. Warns Irwin S. Kirsch, a researcher at Educational Testing Service in Princeton, N.J.: "If we don't boost the skills of the bottom ranks of the work force, we'll have an even more divided society than we do now."

*By Aaron Bernstein in New York and bureau reports*

**MODERN FAMILY** *Karen and Melvin Petersen, who both work the swing shift at Echo Bay Mines Ltd.'s operation in Round Mountain, Nev., drop off toddlers Laura and Lori at the 24-hour, company-run day care center before going to work. If Karen stayed home "we'd struggle along from paycheck to paycheck. It would be rough," she says. Two incomes let them save money for the girls' education*

# FOR AMERICAN BUSINESS, A NEW WORLD OF WORKERS

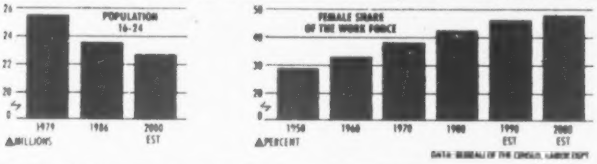
## Employers must look to the nonmale, nonwhite, and nonyoung—and competition will be vicious

Once upon a simpler time not so long ago, "work force" meant white men in ties or blue collars. The image was never quite exact. One generation back, as the nation settled into postwar prosperity, 30% of all women worked outside the home—even if *Leave It to Beaver* reflected the cultural ideal of family life. "Negro," "Oriental," and "Spanish-American" workers always have helped to do America's work. But with a plentiful labor supply, few employers had to reach beyond the male Caucasian in his prime except for the least-wanted jobs. Indeed, by the late 1960s, as employers awarded self-winding watches to 65-year-olds, the first fresh-faced baby boomers were on their way to Personnel.

The last of that numerous cohort is now straggling into the world of paychecks and withholding taxes. The boss is losing that confident glow. The decline in birth rates after 1960 has slashed the numbers of young people available to fill jobs right up to the year 2010 and maybe beyond.

The years of picky hiring are over. Vicious competition for all sorts of workers—entry-level, skilled, seasoned—has begun. Employers must look to the nonmale, the nonwhite, the nonyoung. There may be a push for non-citizens as well:

### AS THE POOL OF YOUNG WORKERS SHRINKS, WOMEN WILL FILL THE GAP, AND MORE WORKING



DATA: BUREAU OF THE CENSUS, LABOR DEPT.

- 73% of all working women are of childbearing age
- 60% of all school-age kids have mothers in the work force, up from 39% in 1970
- Women with children under 6 are the fastest growing segment of the work force

PHOTOGRAPHS BY JAMIE TANAKA | CHARTS BY PAT [illegible]

Over the next 10 years, predicts the Hudson Institute, an economic think tank, only 15% of work force entrants will be native-born white males.

Building a new, more diverse work force and making it tick will be one of Corporate America's biggest challenges in the decade ahead.

## MOTHER, DAUGHTER, WORKER, WIFE

In the past 15 years, as women ventured into the workplace in growing numbers, it has been widely expected that employers would take major steps to accommodate their special needs. So far, though, employers have been able to hire 52% of all women without doing much very differently. That's partly because in a world of stagnant real earnings, women and their families have needed the money more than companies needed the women. Feminism, higher education levels, and rising expectations pushed women into the work force, too.

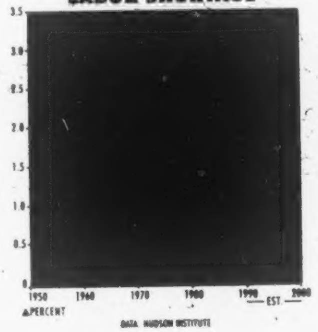
But as employers fish in a shrinking pool for new workers and try to retain experienced ones, women will be in a position to make demands. Companies will be forced to make it easier for workers to balance work and family.

Three-quarters of working women are in their childbearing years; more than half of all mothers work. Those with children younger than 6 make up the fastest-growing segment of the work force. For many such women, as well as for their spouses, balancing work life with parenting at a distance presents logistical challenges worthy of an air traffic controller.

It isn't only children. As the U. S. population becomes older—and by 2000, 51% will be between 35 and 54—more people must take responsibility for their parents. Americans are living longer, thanks to better nutrition and medical breakthroughs, but those beyond the age of 75 are often ill or infirm. Services are expensive, so care usually falls to family members—many of whom work. About 40% of workers over age 40 already provide care to parents, according to Anthony Gajda of Mercer-Meidinger-Hansen, an employee-benefits firm. About 12% of women who care for aging parents must quit their jobs to do so.

A growing body of research links employees' concerns for the care of children or elderly relatives with productivity losses from increased absences, tardiness, and stress on the job—and such time-wasters as excessive use of the phone. This holds for men in dual-career marriages as well as for single fathers and single sons. But it's particularly true for women. At Touche Ross & Co., Susan Schiffler Stautberg figures the average working woman spends 17 years raising kids and 19 years caring for aging relatives. Her grim joke: "Middle age is the 15 minutes in between."

**THE COMING LABOR SHORTAGE**



DATA: HUDSON INSTITUTE

The productivity issues are greater than a workday lost when the babysitter walks out or Grandma breaks her hip. Family leaves, allowing parents time off to care for a new baby or deal with a family crisis, help retain women workers and boost morale and loyalty among others as well. A 1986 report by the General Accounting Office indicated that such policies don't cost much even though temporary workers may have to fill in or other staff may have to work overtime. Legislation requiring employers to provide unpaid family leave to care for sick relatives or new babies is on Congress' agenda.

Child care, especially, is politically hot. A $2.5 billion bill sponsored by Senator Christopher J. Dodd (D-Conn.) and Representative Dale E. Kildee (D-Mich.) would set quality standards for child care, provide payment vouchers to families, and provide states with funds to add new facilities. Michael Dukakis backs the bill's concept without endorsing the dollar amount. George Bush wants a $1,000-per-child tax credit for poor families where at least one parent works, to be used for child care or to help mothers stay home.

**'CARE-GIVERS.'** There is widespread agreement that the federal government has some role to play, beyond the current $3.9 billion dependent-care tax credit, the $660 million spent on day care, and $1.5 billion for the Head Start early childhood program for disadvantaged kids. States, expanding their programs, are crying for more funding. California subsidizes day care for low-income toddlers. Texas school districts provide prekindergarten for 4-year-olds from poor families. Massachusetts is trying to increase the supply of child care with loans to build centers and grants to expand referral programs, train "care-givers," and pay them more.

The problem, however, is falling increasingly into the corporate lap. Boston University researchers Bradley K. Googins and Dianne S. Burden recently surveyed 1,500 workers in big corporations. Some 43% said employers and government should share responsibility for helping balance work and family life; 41% said companies should take the lead.

About 60% do offer some degree of work-schedule flexibility. But less than 5% of U. S. companies—a grand total of 3,300—help with child care. Most of those either allow employ-

## MOTHERS WILL INCREASE THE DEMAND FOR CHILD CARE

- With divorce and out-of-wedlock births running high, the typical child born in America today will spend some time in a single-parent home. Such households, usually headed by women, are more likely to be poor. Children in poor families are at risk for school and social failure
- Only 5% of U.S. companies help their employees with child care. Only about 300 have helped start day-care facilities
- In 1982, a quarter of all mothers not in the work force said they would work if adequate child care were available

CHART BY RAY VELLA/BW

ees to save tax dollars by setting aside pretax income for day care in flexible benefit plans, or they provide information and referral advice. Only 250 or 300 companies have helped start child-care centers.

It's likely that more women would enter the job market if they could find good child care. In the 1982 census, 26% of all nonworking mothers with preschoolers said they would look for work if "reasonably priced child care were available." An additional 13% said they would work more hours. If half the women claiming they are so constrained went to work in the 1990s, the labor force would gain 850,000 workers, notes Columbia University economist David E. Bloom.

**A BENEFIT.** Indeed, some companies are looking at child care as a recruiting device, especially in clerical, food service, and hospital jobs, which depend on women workers. But the impetus is growing elsewhere. Faced with a local labor shortage, Echo Bay Mines Ltd. at Round Mountain, Nev., has enticed parents to hire on for swing shifts by keeping open its on-site day care center 24 hours a day, seven days a week.

Eastman Kodak Co. helps its American employees look for child care. In addition, the company is experimenting with job-sharing. Two Rochester (N. Y.) mothers with young children split the title "professional recruiter"; their 24-hour stints overlap on Wednesdays. Kodak allows up to 17 weeks of unpaid leave to care for a spouse, parent, sick child, or new baby, including adopted or foster children. "We have a lot of money invested in training. This is protecting our investment," declares Mary J. Harrington, Kodak's corporate employee relations director.

Corporate efforts to help workers cope with elderly parents are still primitive. Most women must find ad hoc solutions. A quarter of those responsible for aged parents take extended leaves or cut down their work hours. The challenge is to keep them on the job as much as possible by providing social supports for the parents. As the pressures of labor shortage build, companies will also have to see to it that employees don't forfeit seniority or status if they are forced to take time off for family reasons. "I really think demographics are destiny here," says Dana E. Friedman, work and family research director at the Conference Board.

**DROPPING IN**

*After Bostonian Sandra Brown, single parent of three, told her welfare caseworker she was "job ready," she enrolled in a program at Roxbury Community College where she's studying word processing and finishing high school. Her employer is helping with the tuition bills*

## YOUNG, TROUBLED, AND IN DEMAND

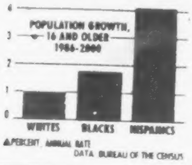
It has been a long time since America's population profile bore much resemblance to the party that landed at Plymouth Rock. Now this nation of ethnicity and social flux is changing anew. It is becoming less white and more Spanish-speaking. Birth rates among blacks exceed those of whites. Immigration mainly from Latin America and Asia has accounted for a fifth of America's population growth in the 1980s. Compared with the native-born, immigrants are younger and their families are larger. The youth cohort of the work force is shrinking, but more of its members will be black, Hispanic, or Asian.

These changes have significant implications for the U.S. work force. A disproportionate number of these youths are growing up in families that are poor or headed by single parents. In minority communities, many of today's adults lack the skills to find decent employment. Their kids face worse prospects at a time of dramatic technological change. A disturbing new term, underclass, describes some who are from such disorganized backgrounds that—without intervention or a social miracle—they may never be employable (page 122).

Many young people—especially minorities—are caught in a vicious cycle. About a quarter of all kids are born out of wedlock to parents who "are poorly educated, frequently young, and unskilled," says George Washington University's Sar Levitan. In the U.S., about 44% of all marriages fail. Female-headed households are more than four times more likely to be poor than are two-parent families. A startling one in four members of the Class of 2000, now entering first grade, is living in poverty.

Part of the problem is child support. Fewer than half of fathers not living with their kids pay anything toward their keep. In 1985 more than half of all

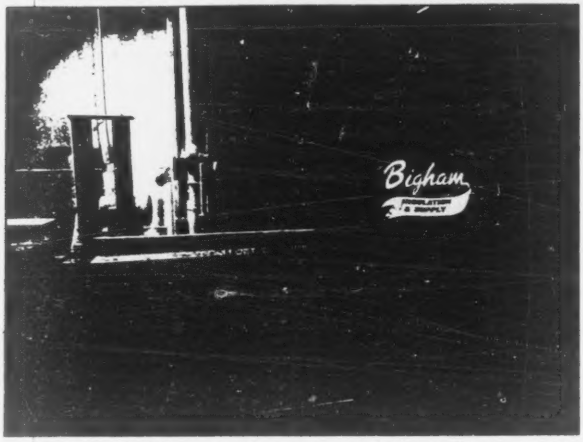
## MINORITIES: FAST GROWTH AND TOO MANY DROPOUTS



DATA: BUREAU OF THE CENSUS

- ▶ Among white 18- to 21-year olds, 13.6% have dropped out of high school. Among blacks the rate is 17.5%, among Hispanics 29.3%
- ▶ The high school dropout rates in major cities, where minorities are concentrated, range from 35% in New York to as high as 50% in Washington

CERVEZA
BEER



**RETIRED? RETOOL** *Leon Levitt, 81, retired from his sales job a decade ago, but six months later he went back to work as a trainee machinist. "Work adds life to your years—and it actually adds years onto your life," he says. As the work force ages, more and more résumés may resemble that of Levitt, who just cut back his workweek to 49 hours from 55*

mothers with child-support orders received less than the full amount due. The average annual payment was $2,315. Another aspect of the poverty problem is women's pay. Women's earnings average $16,232, 70% of men's. Many mothers work part-time for far less pay.

Harvard sociologist David Ellwood predicts that more than two-thirds of children who grow up in a single-parent household will spend at least some of their childhood in poverty. They are three times more likely than others to drop out of school, and they are more deficient in skills. Black and Hispanic children, while a minority of the poor, are nearly three times more likely to be poor than whites. A National Assessment of Educational Progress found that only 60% of white young adults could locate information in a news article or an almanac. The number was 25% for blacks and 40% for Hispanics.

Labor shortages in the future could present an unprecedented opportunity to improve the lot of the poor. "The new workers—although they are from groups disadvantaged by discrimination, lack of education, and language barriers—will be in very great demand," says Labor Secretary Ann D. McLaughlin. Already employers are having to reach further and further along the labor queue. Where necessary, they are patching up the ragtag skills they find there, sometimes at huge expense (page 134).

Social thinkers say early intervention, with such proven child-development programs as Head Start—or even earlier with nutrition programs and parenting classes—is the real ticket to building a competent work force over time. Half of all teenage mothers eventually escape poverty through education, with measurable improvements in their kids' achievement and prospects, notes economist Andrew Sum of Northeastern University. "If minorities are to succeed, we have got to start educating children much younger and work through their parents," says Gloria G. Rodriguez, director of a support and training program for poor Hispanic families in San Antonio. Despite its track record, only 18% of eligible children are served by Head Start, due to inadequate funding.

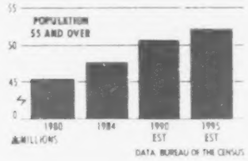
The challenge is clear. If minority skills are not upgraded, they will deteriorate further. Companies will be forced to substitute capital for the unskilled labor. Technology, after all, has many faces. Given skilled workers, it can upgrade a job task and add value. Or, to cope with work-force shortcomings, it can be used to "de-skill." The classic example is McDonald's Corp. Dependent on young workers with poor skills, the hamburger chain has replaced words on the keys of its cash registers with pictures. That may work for McDonald's. But for society to take that path implies low wages and a declining standard of living.

## BRINGING THE RETIRED BACK FROM RETIREMENT

In our time, the shrinking of the American manufacturing sector has written off a generation of middle-aged blue-collar workers caught between the foundry and the computer. And even as the economy faces labor shortages at all levels, the most striking employment trend in recent years has been a shift to early retirement. Only about 15% of men over age 65 are in the work force today, down from 25% in 1970. Only 68% of those age 55 to 64 still work, compared with 83% two decades ago.

Such trends were perhaps understandable as baby boomers crowded into the workplace and companies downsized. Today, though, it is waste on a vast

### OLDER PEOPLE ARE AN UNTAPPED RESOURCE



DATA: BUREAU OF THE CENSUS

- In 1950, for every retiree, there were 17 Americans at work. By 1992, it will be 1 retiree for every 3 workers
- In 1984, only 68.4% of all men aged 55 to 64 worked. If retirement trends continue, that will drop to 62.6% by 1995

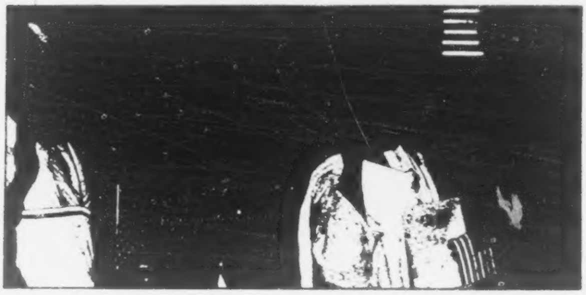
scale. A typical American who has reached the age of 65 can expect to live an additional 17 years. By 2003 the U.S. National Center for Health Statistics predicts life expectancies at birth will be 84 years for women and 10 years less for men. Today the 58-year-old who takes early retirement is essentially middle-aged, and retirement may last half as long as his or her work life did.

The good health, skills, and work histories of the "young old" can help the nation out of its demographic fix. "People should work longer and be productive longer. We should get away from the rigidities that go along with age 65," argues Alan Pifer, chairman of the Southport Institute for Policy Analysis.

Pifer, who directed the Carnegie Corporation's Project on Aging, advocates continual education and retraining throughout one's working life. The emphasis should be on that restless age around 50 when the kids are gone and "you've gone about as high as you're going to go in the hierarchy. It would be nice if a lot of people could be 'repotted,'" he suggests. As a vision for the nation, that projects a huge agenda: reordering what is now an ad hoc and haphazard retraining process. It also requires new benefits systems, such as portable pensions, to erase disincentives for middle-aged workers to move on.

Many over-60s, furthermore, don't want to be put out to pasture for 20 years. Smart companies are finding ways to retrain and employ them. In Florida, where 18% of its population is over 65, the future is now—fast-food chains recruit workers in retirement villages. Last year, Kelly Services Inc. in Troy, Mich., put out a call for workers over 55. Now they're 8% of the "temp" rolls. In Boston, one BayBanks Inc. unit has hired 45 retirees as clericals, tellers, and clerks since last November.

Keeping older workers in the job market won't be easy. Says Census Bureau forecaster Cynthia M. Taueber: "They can afford to retire and will." The elderly have escaped Reagan-era spending cuts. Social Security, medicare, and medicaid spending on nursing homes have eliminated most poverty among the old. Still, retirement can be boring. If business makes work attractive, the oldsters may come back in droves.



**NEW CITIZENS**

*Opening America's "Golden Door" has helped with past labor shortages, but swelling waves of immigration might serve to stall efforts to integrate blacks, Hispanics, and women into the economy more effectively*

## THE U.S. COULD LOWER THE DRAWBRIDGE AGAIN

Faced with labor shortages in earlier times, America has opened its borders. Immigration is still a policy option—the wild card in the labor-market outlook.

For Cornell University economist Vernon M. Briggs, unleashing even more immigration will stall efforts to integrate women, blacks, and other minorities into the economy. In a recent book, *Immigration Policy and the American Labor Force*, Briggs argues that minority youths could soon be competing with immigrants—legal and illegal—for entry-level jobs. Rand Corp. researchers say there's no evidence of this yet. But they warn that U.S.-born Latinos must improve their skills to qualify for the high-tech jobs of the future or compete with new immigrants for low-paid jobs.

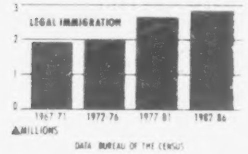
Today's immigrants, on average, are less skilled than the native-born. Most lack a high-school education. Only 20% are admitted because their skills are in great demand. But the criteria could change toward more preference for skills. This year, U.S. hospitals, to allay shortages, will hire 20,000 foreign nurses on five-year visas.

The idea of hospitals staffed by skilled foreign professionals and low-paid native-born janitors doesn't sit well with some like Pat Choate, TRW Inc.'s futurist. "Ultimately we have to have an economy that works—and do everything with our own people," he says. Yet, he adds, the U.S. should "use its incomparable advantages" to attract the world's talent. Foreigners here to study engineering, say, could be required to stay and work.

Unlike immigration policy, population trends hold few surprises. "We have a lot of control over how demography hits us. It's more of a glacier than a thunderbolt," reflects Jack A. Meyer, president of New Directions for Policy, a Washington think tank. "If we sit back, we're in for some problems." The danger is that the U.S. will fail to address its demographic challenges in time.

*By Elizabeth Ehrlich in New York, with Susan B. Garland in Washington, and bureau reports*

## WILL IMMIGRANTS FILL THE JOB GAP?



▶ Only 20% of legal immigrants are admitted for job skills. Family ties or refugee status are the usual criteria

▶ Over half a million legal immigrants arrive each year—more than at any time since the 1920s.

▶ Some 2 to 4 million illegal immigrants live in the U.S.

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# WHY THE UNDERCLASS CAN'T GET OUT FROM UNDER

In an era of prosperity, legions of welfare mothers and inner-city youths face dead-end lives

Terence Maclin often dreams of escaping Milwaukee's tough North Side. "I plan to build my own business," says the 18-year-old leader of a youth gang known as Two-Four. "Then I can have people working for me."

Maclin's fantasy of the straight life is likely to remain just that. A high school dropout who's been in and out of juvenile institutions since he was 9, Maclin can't read at a sixth-grade level. He's enrolled in a high school equivalency program but chronically cuts classes. And Maclin recently quit the latest in a series of temporary jobs after a dispute over pay.

In the past, unskilled and poorly educated black youths such as Maclin had a shot at a decent-paying job. But now, many of the breweries that made Milwaukee famous are shuttered. The city's employment boom has been concentrated largely in jobs that require skills far higher than Maclin's. "The odds are very strong that Terence will never make it," says Charles Meyer, a program director at the Westside Center, where Maclin sometimes hangs out.

Young people such as Maclin can be found in decaying inner cities all over America. They represent a chilling phenomenon: a growing black underclass isolated from the nation's economic and social mainstream. This legion of chronically unemployed males and welfare mothers, concentrated in crime-ridden, desperately poor, inner-city neighborhoods, numbers at least 1.5 million.

That figure continues to mount despite a six-year economic expansion. "The rising tide of prosperity left those without a high school diploma untouched," says John D. Kasarda, an economist and chairman of the University of North Carolina's Sociology Dept. "They were not even on the boat."

Although the underclass is relatively small in size, it reverberates across geographic, class, and racial lines. Drug-related crimes and gang wars are shak-

BURGER KING
DRIVE THRU
WEEKEND HELP
$700 HR

**HANGING OUT:** *Minority youths in urban ghettos such as Dorchester, Mass., (left) often eschew work even where it's available. For some, fast-food jobs paying as much as $7 an hour don't compare with the enticements of life on the street*

ing the complacency of middle-class communities. As labor markets tighten, business has begun to worry about the growing pool of disaffected youths ill-equipped to take on new jobs. And the costs of coping with society's failures are staggering. The nation spends $20 billion annually on prisons. Caring for low-birthweight babies born to mothers on welfare who are high school dropouts costs another $188 million per year.

The growth of the underclass is the result of many complex forces—from racism to the frustration and apathy that persistent poverty can provoke. "It's very difficult to point to any one thing in an environment where so many things are hostile," says David T. Ellwood, professor of public policy at Harvard University. "But everyone agrees that all these negative things start to feed on each other, making it more difficult to latch on to any simple solution."

**'KNOWLEDGE-INTENSIVE.'** Among the most potent factors is the two-tiered economy. The economy's general weakness during the 1970s and early 1980s "hit people at the bottom of the barrel the hardest," says Brookings Institution economist Robert D. Reischauer. Starting in the 1970s, white women, baby boomers, and immigrants flooding the job market have made it even more improbable that less-educated blacks at the end of the hiring queue will be chosen for jobs.

Meanwhile, in the past two decades, manufacturing industries virtually vanished from the cities. Some closed down, skewered by international competition. Others moved to convenient, sprawling, suburban tracts. Just 25 years ago, half of Milwaukee's jobs were of the high-paying blue-collar type. Today less than 30% are. In other cities, the falloff is even more dramatic.

Many of the newer jobs are "knowledge-intensive" white-collar posts, which require at least some college education. As a result, employment of the poorly educated has fallen sharply. That is particularly true of adult black males who live in cities. Only half of these men work, even part-time, as compared with 80% in 1969, according to Kasarda.

University of Chicago sociologist William Julius Wilson, author of *The Truly Disadvantaged*, argues that antidiscrimination legislation and affirmative-action programs may have inadvertently compounded the problems. Middle-class blacks, who could take advantage of new job and housing opportunities in the 1960s and after, fled the ghettos, leaving local schools to the poor and removing important role models—adults who work at steady jobs. Those left behind no longer hear about work opportunities. Even the habit of waking up to a ringing alarm clock is alien. "Youngsters are growing up in a community where people's lives aren't organized around work," Wilson says.

Even when jobs are available, few are perceived as true opportunities because pay is low and prospects for promotion are virtually nil. "Places give you a hassle, say they are not hiring and come back in a few months," complains Corey Newsome, a former member of Maclin's gang. In some tight labor markets, fast-food restaurants pay nearly twice the minimum wage, but local youth unemployment rates remain high. "Fast-food places aren't paying enough, not for what they want you to do," says Newsome. The lucrative alternatives—drug dealing, pimping, and theft—have no shortage of recruits, though.

The allure of criminal activity is often attributed to the disintegration of the black family. In 1960, 20% of black families with children were headed by women. Today, half are.

**WELFARE TRAP?** Contrary to popular perception, the birth rate for unmarried black women actually has declined since 1960. But the marriage rate among black women has dropped even more sharply—as has the birth rate to married women—so single women still bear more of the community's babies. For Wilson, the explanation is the shortage of "marriageable" black men. "The increasing inability of many black men to support a family is the driving force behind the rise of female-headed households," he says.

Some social scientists, though, believe that cultural factors have become at least as important as economic ones. "If you've got full employment, you are still going to have an underclass," argues social scientist Charles Murray. "We do not know how to change the attitudes of even adolescents who have grown up in the underclass." Murray's 1984 book, *Losing Ground*, faulted federal welfare policy for discouraging marriage and work while rewarding out-of-wedlock childbearing and unemployment.

"It's now more acceptable than ever for a father to ignore his responsi-

### HOW SOCIAL INVESTMENT IN CHILDREN PAYS OFF

| $1 INVESTED IN... | ...SAVES |
|---|---|
| Prenatal care for poor women | $3.38 in hospital care for low birthweight babies |
| Childhood immunization | $10 in later medical costs |
| Preschool education | $4.75 in special education, welfare, and prison costs |
| Remedial education | $6 in the cost of repeating a grade |

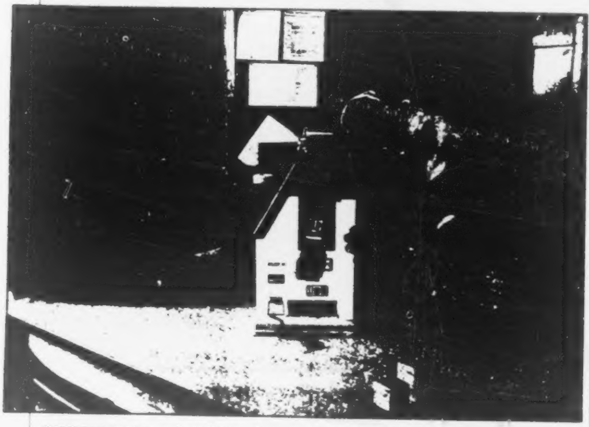
DATA: HOUSE SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES

bilities," adds Stuart Butler, director of domestic policy studies at the conservative Heritage Foundation. "The assumption is that the government will take care of the problem."

Certainly, most welfare programs do little to encourage work. When recipients who want to work weigh the low-paying jobs for which they're qualified against the loss of welfare benefits, medical benefits, and the additional burden of child care, many figure they're better off staying home. "The system goes around and chokes you," says Bonita Williams, a 24-year-old mother of six who lives at the Milwaukee Family Crisis Center. Child care and job training are a focus of the new $3 billion welfare reform bill pending in Congress.

Whatever the causes of the underclass phenomenon, there is no question that the consequences for black children have been disastrous. Three-quarters of them spend at least some time in poverty, compared with one-fourth of white children. One-third of black kids are poor for seven years or more. And those growing up poor are more likely to become parents themselves at an early age. In turn, their babies are at risk from low birthweight, which tends to increase the chances of brain damage and learning disabilities.

Dr. James P. Comer, professor of child psychiatry at the Yale Child Study Center, says children of uneducated parents are less likely to develop the early language skills and excitement for learning that will prepare them for school. Fully 60% of daughters of single women who are on welfare for 10 years or more will find themselves on welfare for at least a year during adulthood. Urban Institute economist Isabel V. Sawhill worries that underclass communities will be "breeding grounds for another generation of poor people with little hope of becoming part of the mainstream."



**SAVE THE CHILD:** *Improved services for children, such as day care for disadvantaged kids in New York's East Harlem, may be the surest way to break the cycle of poverty*

To break the chain, some black leaders are calling on the black middle class for assistance. Others are saying that poor blacks themselves must accept greater responsibility—and that their community offers positive models, too. "There are kids who are not on drugs and teenagers who are not getting pregnant," says Robert L. Woodson, president of the Washington-based National Center for Neighborhood Enterprise, which encourages tenant management of public housing projects as well as other community self-help programs. "We need to learn from people who are successful."

Improving the schools that poor children attend is critical as well (page 129). So is reaching the child before school. Last year the Committee for Economic Development, a corporate-funded research group, recommended $11 billion in additional spending on prenatal care and nutrition for pregnant women and preschool education for the nation's most disadvantaged kids. Their point is that intervening at an early age may well improve a child's lifelong prospects (chart, page 123) and save money on other social programs, such as welfare, down the line.

Some experts believe that expanding programs such as Medicaid and Head Start is only a first step. Harvard lecturer Lisbeth B. Schorr says that social service agencies have to do a better job of coordinating the services they deliver to poor families, who often suffer from a spectrum of problems. An agency that provides preschool education to a child without addressing a parent's depression or the child's nearsightedness won't help much. "The programs that work best are comprehensive and intensive," she says.

**INTIMIDATED.** Encouraging the employment of young adults is another necessity. In Boston, a successful business-backed program is teaching 150 poor adults such workplace skills as résumé-writing, interviewing procedures, and telephone etiquette. James B. Marshall Jr., who is in charge of the program, says many youths are intimidated by the prospect of leaving isolated ghettos such as Roxbury to work in a downtown glass tower. Other programs that provide intensive remedial education, job training, and child care have helped long-term welfare mothers enter the labor force.

North Carolina's Kasarda believes that suburban employers must reach out as well through job information networks and provide transportation pools. Marshall says that employers, who are often reluctant to hire inner-city youths, "have to understand that their personnel in the next 10 years is going to be different from what they're used to."

This realization is the product of demographic trends that in some areas are already producing labor shortages among young, entry-level workers. However, federal policymakers, worried about yawning budget deficits, seem unlikely to launch a major new effort to address the problems. There is little political gain to be had from aiding the powerless underclass, and indeed, the Presidential candidates have not taken up their cause.

Yet, argues Princeton sociologist Richard Nathan, "if there was ever a time to work at these issues, it's now, when there's a declining labor force." If America lets this opportunity pass, it will do so at its own social and economic peril.

*By Susan B. Garland in Washington, with Lois Therrien in Milwaukee and Keith H. Hammonds in Boston*

SECOND GRADE IN TEXAS

# AMERICA'S SCHOOLS STILL AREN'T MAKING THE GRADE

A quarter of high school grads are only marginally literate—and reformers disagree on what to fix

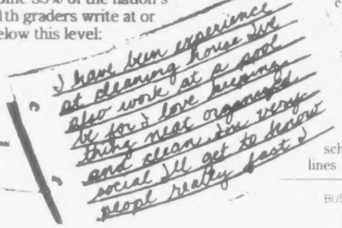
Americans have always asked a lot of their schools: Civilize the frontier with the three Rs, assimilate immigrants, secure U. S. military might by bolstering high school science. At its most fundamental, democracy aspires to produce literate, responsible citizens. But social and economic change has continually reshaped what school is expected to do—from training homemakers to fostering integration.

A new call for school reform is ringing across the land. This one is different. The nation's economic problems are being placed at the schoolhouse door. Economic growth, competitiveness, and living standards depend heavily on making investments in human capital. That means attending to the state of America's schools.

It is a worrisome state. Although top-ranked U. S. students compare well with their peers in industrialized nations, the rest do worse. One million young people drop out of high school every year. Rates approach 50% in some inner cities. Of the 2.4 million who graduate, as many as 25% cannot read or write at the eighth-grade, or "functionally literate," level, according to some estimates. Most 17-year-olds in school cannot summarize a newspaper article, write a good letter requesting a job, solve real-life math problems, or follow a bus schedule.

What's needed is a do-or-die battle to turn the schools around. But the front lines are weary—and fresh recruits

Some 35% of the nation's 11th graders write at or below this level:

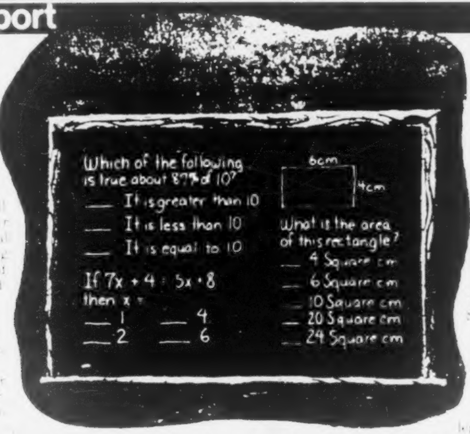

I have been experience
at cleaning house I've
also work at a pool
be for I love keeping
thing neat organized
and clean. I'm very
social I'll get to know
people really fast I

DATA: EDUCATIONAL TESTING SERVICE

## Special Report

[illegible]

**LEMONS** [illegible]


Which of the following is true about 87% of 10?
___ It is greater than 10
___ It is less than 10
___ It is equal to 10
If 7x + 4 = 5x + 8 then x =
___ 1 ___ 4
___ 2 ___ 6
6cm
4cm
What is the area of this rectangle?
___ 4 Square cm
___ 6 Square cm
___ 10 Square cm
___ 20 Square cm
___ 24 Square cm

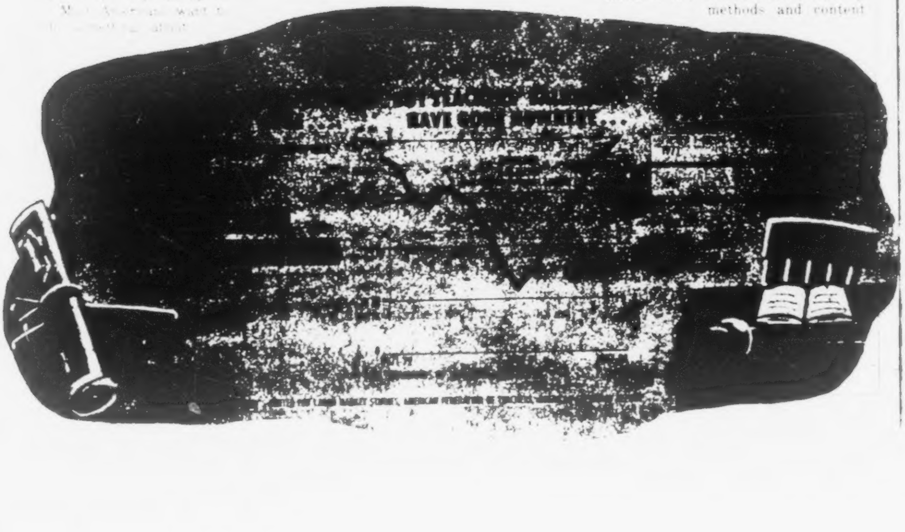
In a 1987 Harris Poll, 90% of those surveyed endorsed the principle that "for the U.S. to become competitive, we must pay more for quality education" and get "tangible results."

The tricky question: how to get those results. Educators are sharply divided. Some endorse the call for strengthening the traditional curriculum. [illegible] new family-like roles to nurture the growing numbers of poor or troubled kids in the system.

Predictably, conservatives deride the idea that schools should depart from traditional teaching formulas to suit individual learning styles or to respond to students' social problems. They stress the importance of expectation and high standards, holding up such examples as William Lloyd Garrison School, where South Bronx kids from low-income families test at or above grade level in reading. "You don't change the principles of medicine when patients have poorer health or a poorer state of nutrition," insists outgoing Education Secretary William J. Bennett. When Bennett urges school overhaul, he means a shift of power from the educational Establishment—teachers' unions, administrators, and colleges of education—to parents, citizens and state legislatures.

Traditionalists point to Japan, where students seem to perform as well as or better at all levels than U.S. kids. Japanese mothers are highly involved in their children's schooling, teachers are respected and well paid, the school year is longer and more homework is given. "The Japanese system," says Bennett, "is pretty close to a system of education that is universal and of quality."

**MASS PRODUCTION.** Those for whom tradition is not a panacea say American schools must change with the times. They argue that the public school system was organized along factory lines in the 1920s by a society enchanted by mass production. Classrooms were standardized, and decisions about teaching methods and content



were passed from state offices to superintendents to principals and finally to the chalk-wielding line workers: teachers. After a 50-minute class, the bell rang and pupils moved on. "If the student is viewed as an inanimate object moving on an assembly line, this makes perfect sense," Shanker says.

**'THOROUGHLY DISCREDITED.'** Successful companies, as Xerox Corp. Chairman David T. Kearns notes in *Winning the Brain Race*, "have discarded the archaic, outmoded, and thoroughly discredited practices that are still in place in most of our large school districts: top-down, command-control management—a system designed to stifle creativity and independent judgment."

To education reformers, it is significant that the Japanese themselves are beginning to worry that their nation's learning style, heavily based on rote and memorization, doesn't promote creative thinking and flexible skills. "In Japan they do harder and longer what we do, and get better results," argues Adam Urbanski, president of the Rochester (N. Y.) Teachers Assn. "The purpose of reform is to do it differently—to challenge the fundamental structure."

Indeed, concerns about basic skills already have produced some improvements along traditional lines. Educational Testing Service (ETS), a testing-and-research organization based in Princeton, N. J., reports that test scores in math, reading, computer literacy, and science have gone up since the mid-1970s. Most of that came from minority kids, who increased from 16% to 23% of all schoolchildren. But "the bad news is that we haven't budged in improving higher-order skills, critical-thinking skills," says Archie E. LaPointe, head of ETS's National Assess-

# BUSINESS IS BECOMING A SUBSTITUTE TEACHER

New York's Chemical Bank has an alarming problem: It has to interview 40 high school graduates to find one who makes it through the bank's training program for new tellers. The Chemical reaction? The bank has adopted two schools and is helping form a high school debating league. Chemical Chairman Walter V. Shipley believes parental involvement is the ideal: "Unfortunately you don't always have that commitment from parents, so business must try to find more ways to fill the gap."

Passion for school reform is gripping Corporate America. It is marshaling resources, energy, and influence to improve education. Hundreds of partnerships are blooming between school and business. They run the gamut: gifts of equipment, paid work-study programs, teacher training, and literacy volunteers. But there are questions about the effectiveness and reach of these programs. The biggest unknown is whether business will have the patience to stay the course.

Many join-a-school partnerships have been forged. In 1981, New York industrialist Eugene Lang addressed a sixth-grade class at his Harlem alma mater and offered college scholarships to all pupils who stayed in school. He paid for remedial and counseling staff and became involved with the kids. Of the 54 original pupils who remained in New York, 50 finished high school, and 34 are in college.

The recipe has been followed by corporations as well. More than 1,000 Dallas businesses have adopted the city's 20 public schools. The sponsors provide volunteers and donate funds and equipment. At Tenth Street Elementary School in Los Angeles, 125 Arco Oil & Gas Co. employees—from secretaries to top brass—help out in the classrooms, tutoring immigrant and minority students in English, math, geography, and computer sciences.

**SOWING SEEDS**

*'Adopt-a-school' programs are sprouting up. At Los Angeles' Tenth Street Elementary School, an Arco professional leads a nature class*

Pacific Northwest Bell Telephone Co. in Seattle adopted a local school. But this modest involvement mushroomed in 1983 thanks to Gary A. Frizzell, PNB's new educational relations manager, who happened to be coping off-hours with an apathetic 14-year-old son. He tried to reach the boy with heart-to-heart talks and a series of letters—which evolved into *Choices*, an outreach program encouraging kids to stay in school. Volunteers from 65 participating companies have addressed more than 300,000 eighth and ninth graders in 41 states. "Business is the user of education's product—students, and it ought to replenish," says Frizzell, now heading an education foundation for PNB's parent, U.S. West in Denver.

Businesses are focusing on teachers, as well. Two years ago, IBM Vice-Chairman Lewis M. Branscomb headed a Carnegie Forum task force that recommended higher pay, more autonomy, and national competence testing for teachers. Honeywell Inc. sponsors a summer Teacher Academy, where Minneapolis high school math and science teachers team up with rement of Educational Progress (NAEP).

It's higher order skills that a sophisticated economy increasingly needs. "Over the long term, basic skills only give you the right to compete against the Third World for Third World wages," notes Marc S. Tucker, chairman of the National Center on Education & the Economy in Rochester, N.Y. To achieve more advanced goals, "I'd like to see a lot less of kids sitting quietly in rows and a lot more deeply engaged in projects in which they are heavily invested, which require them to learn a lot."

Tucker maintains that most kids don't learn well by listening to a lecture or reading the text. He and others advocate peer tutoring, team learning, simulation games, and other nontraditional approaches, particularly for disadvantaged children for whom formal classrooms are threatening ground.

So passionate is the debate that reform is threatened with paralysis by analysis. No single educational philosophy can be expected to win the day in a country as heterogeneous as the U.S. What might work in a high-income suburban school district could create havoc in an inner-city ghetto. And there are no quick fixes. "Imagine a business . . . with 50 totally autonomous divisions and 16,000 subsidiaries, each with its own board of directors and labor agreements," says retired Procter & Gamble Chairman Owen B. Butler. "No effort to change that culture can be expected to succeed in five years."

**TEACHER TROUBLE.** Whether it's traditionalism or radical reform, better schools require more and better teachers. And here there is trouble. Morale among teachers, who are poorly paid and garner little esteem, is at low ebb. For years the numbers of college students entering teaching has been in decline, and those who do choose teaching often come from the bottom quartile of their college class. The shortage is acute for teachers of math and science and for the minority teachers desperately need-

searchers to develop class projects using state-of-the-art computers and equipment.

Minnesota companies have a tradition of social investing. Honeywell has provided equipment, volunteers, and technical advice to schools for 20 years. Last year it gave $7.8 million, about 2% of its U.S. pretax profits, to philanthropy. Of that, $2.9 million went to education.

Not all educators welcome corporate largesse. Some worry there will be strings attached. "We've been in the business of education for 126 years," says Robert Astrup, president of the Minnesota Education Assn., which represents 80% of the state's teachers. "We would like businesses to be advocates—not leaders." Joan Canella, director of the Bank Street School for Children in New York, sees it another way: "The best thing business can do for schools is make it possible to combine work and family, allowing working parents to get involved with the schools."

**HARD KNOCKS.** Dade County, Fla., hosts one such experiment. To ease overcrowding and reduce working parents' stress, the school system set up minischools in workplaces. Last fall, American Bankers Insurance Group Inc. opened the first "satellite learning center" to serve employees. It built a $350,000 schoolhouse for 50 kindergarteners and first graders. The county provides teachers and books.

In Chicago, local companies, including Borg-Warner, Sears, Johnson Publishing, and McDonald's, opened their own school. Privately funded, tuition-free, the Corporate/Community School of Chicago is to be a laboratory-in-action addressing the problems of inner-city schools. Its enrollment, now at 150, will grow to 300 children, from nursery school to eighth grade.

Perhaps the most obvious role for business is to help bridge the gulf between high school and what comes after. That is, not pushing old-style vocational education but bringing some notion of work life and promise of opportunity to kids floundering on the margins. That was the plan behind the Boston Compact, a 1983 agreement between the Private Industry Council (PIC) and the school system to offer summer and permanent jobs in exchange for improving the schools.

Last year, 669 Boston companies created summer jobs for 3,000 students, at an average hourly wage of $5.39. Napoleon "Eddie" Santos, 17 and a senior at Dorchester High School, got his first real job that way. This summer he was one of four full-time interns apprenticing in maintenance engineering at Beacon Co. Under a separate program, companies hired 1,000 high school graduates, 72% of them black or Hispanic, into permanent jobs. PIC also offers jobs and counseling to dropouts, and guidance to ninth graders.

**UNFAIR BURDEN.** Rebuilding a school system proved tougher. Reading and math scores rose modestly. Attendance went up. But Boston's dropout rate is stuck at 46%. "The business community has done its job. I think everyone's disappointed on the school side," declares Edward E. Phillips, chairman of insurer The New England. To do more, he says, "would be a pretty unfair burden on businesses. We pay hefty taxes to support the system already."

But some corporate leaders insist an even broader burden must be borne. Harold W. McGraw Jr., chairman emeritus of McGraw-Hill Inc., which publishes BUSINESS WEEK, heads the Business Council for Effective Literacy, aimed at millions of U.S. adults who lack functional reading skills. Owen B. Butler, retired chairman of Procter & Gamble Co. focuses on the very young: "The best way for business to invest in educating the disadvantaged is to reach them early. By age 5, they're already so deprived they can't benefit from schooling," he says. Butler lauds such efforts as Success by Six. In that program, Minneapolis employers, civic groups, and schools spent $647,000 this year on early childhood health and education through the local United Way.

A departure from corporate practice? Not for Butler. "It took us years to develop Tartar-Control Crest, years to make a profit on our investment. So we understood the economics of early childhood programs." For him, the long view on education is just good business.

*By Elizabeth Ehrlich in New York, with bureau reports*

**JOB TRAINING**

*Boston's intern program is giving many poor youths their first jobs. Eddie Santos (right) is an apprentice maintenance engineer*

ed in poor communities as role models.

Increasing pay can help recruit and retain teachers. But so far efforts in that direction have raised average starting salaries only to the $18,000 range—hardly enough to entice talented students away from other professional tracks. A few school districts, though, now pay their best or most experienced teachers several times that amount.

To attract more teachers, New Jersey is experimenting with alternatives to the standard-certification route so that college graduates in fields other than education can come aboard. Using audiovisual aids, computers, satellite teaching, team-teaching, and even switching to staggered semesters can cut down the number of teachers required as well.

Moving teachers who have been promoted into management jobs back into classrooms could be one solution to the labor shortage. School systems are notoriously bureaucratic. According to the AFT, from 1975 to 1986 school districts hired one curriculum adviser, program director, or other desk worker for every new classroom teacher. "Before we ask for additional funds, we must reorder our priorities," says Mary Hatwood Futrell, president of the National Education Association (NEA).

How to shrink staff and administrative functions isn't the only thing schools can learn from business. Incentive pay can also help. In Rochester, N. Y., last year, the teachers' union sat down with administrators to bargain for school-based decision-making and pay hikes of more than 40%. The new contract also established a career ladder with a top rung of so-called lead teachers who can earn up to $70,000 per year in the contract's third year. Top pay requires them to accept assignments in the system's toughest schools, now often in the hands of novice teachers. "They'll be the Clint Eastwoods of teaching," says union head Urbanski.

Reaching disadvantaged kids in tough neighborhoods also may require expanding the traditional role of schools—the only stable institutions in some kids' lives. A handful of inner-city schools are trying on-site day care for teenage mothers, after-school hours to increase learning time, and intensive anti-dropout counseling. Arkansas, New York City, California, and Minnesota have started prekindergartens for four-year-olds. "Pedagogic reforms are wasted unless you do something about social-capital building," says Primerica CEO and social activist William S. Woodside.

**A RAGING DEBATE**

*Traditionalists stress the importance of a strong curriculum and high standards. Others want reforms such as peer tutoring and team learning*

Northeastern University economist Andrew Sum argues that an extended school year, which the Japanese have shown benefits middle-class pupils, can do even more for poor kids who, left to home and peer influences, tend to lose ground in summer. California is moving to year-round schools to increase learning time—and to handle a shortage of classroom space.

**SCHOOL VOUCHERS.** Sar Levitan of George Washington University believes schools must assume even more roles to fill the gap left by working mothers. "I'm not a moralist, I'm only an economist," Levitan says. "If women are going to do society's work, the schools must respond."

One way to make the schools more responsive to the needs of the students is to force them to compete for students. Some 20 years ago economist Milton Friedman, a Nobel prizewinner, proposed issuing vouchers to families for the amount it costs to educate their kids. Parents would select among the schools, "paying" with the vouchers, so schools would have to upgrade or lose funding.

Although no school system has yet issued a Friedman voucher, there is growing support for the idea of parental choice to foster competition, accountability, and parental involvement. The National Governors' Assn. believes that choice within the public schools "can promote equity." Poor kids, claims Heritage Foundation analyst Jeanne Allen, would benefit most, since wealthier families already choose schools by moving to communities with good ones.

In the past, though, choice has sometimes been used to thwart integration. In some places, so-called magnet schools—the best schools in the district—skim off the community's best students, leaving other schools worse off. "You don't improve schools by running away from schools," bristles NEA President Futrell. Minnesota's teachers are suing their state over its new Choose-a-School plan, which lets kids enroll in any public school.

Other experiments are on the way. Boston University is taking on the reorganization of the troubled Chelsea (Mass.) school system. New Jersey has begun a hostile takeover of Jersey City schools, whose performance was close to meltdown. But much of the system still is plagued with inertia and institutional rigidity. If there is to be meaningful reform, adversaries in the education community will have to cede cherished turf and cooperate.

The alternative—bumbling along from crisis to crisis while presiding over decline—is simply not acceptable. Schools are the crucible where children do or don't become productive members of the community. For children growing into citizens—and for a society that wants to prosper—education is just too important to entrust to the status quo.

*By Elizabeth Ehrlich in New York*

S al Report

# IT'S TIME TO PUT OUR MONEY WHERE OUR FUTURE IS

Investments in education and training will yield sure-fire returns we can't afford to ignore

In the U.S., when you turn 18 or become a citizen, you may register to vote. The process varies from state to state, depending on the requirements of the local board of elections. But one thing is true across the nation: You do not need to be able to read or write. The Voting Rights Act of 1965 and its amendments abolished literacy tests, among other discriminatory local requirements, that had long disenfranchised millions of black and disadvantaged citizens.

Yet today the person who can vote but cannot read and write remains disenfranchised in another, more fundamental, sense. The right to earn a decent wage and make a productive contribution to society can't easily be exercised by the illiterate, the poorly educated, and the unskilled. Disenfranchised, too, is the unemployed steelworker unable to find the job to fit his unneeded skills. Then there's the single mother unable to find affordable day care for her toddler so that she can go to work.

The cold, hard, economic facts make a compelling case for action. The direct costs are clear: Incomes are lost, and unemployment and welfare benefits are paid out. But the overall loss to the economy is bigger still. America's most productive resource, its people, is not being fully utilized.

**TIME BOMB.** The bean-counters in Washington and state capitals around the country will say there is no money available to invest in educating and training tomorrow's work force. And some economists, such as University of Chicago professor and BUSINESS WEEK columnist Gary S. Becker, whose pioneering work measured the rate of return to investments in human capital, would prefer that market forces eliminate the mismatch between jobs and skills. But labor markets take time to work, and time is of the essence. Already the nation has suffered the consequences in the international marketplace; in the future, fiercer competition, changing demographics, and new technologies will demand that skills keep improving. Ignorance costs far more than knowledge.

In a $4 trillion economy with a $1 trillion federal budget there is surely room for some shifts in spending: away from plant and equipment and toward workers; away from the aged and toward the very young; and even away from guns and toward people. Whoever wins the Presidential election on Nov. 8 should spearhead a new national commitment to America's future by investing in its people. Whatever it takes—new money or a reallocation of resources—the commitment should come through loud and clear. The federal government, state and local governments, business, labor, and the electorate will all have to do their part. What should be done? Here are some suggestions:

- **Instill the habits of learning and working in kids at an early age.** "Early intervention" by means of preschool programs has shown proven results. Numerous studies demonstrate that the younger the child, the greater the long-run payoff of an investment in that child. Often mothers become in-

volved in these programs as well, and they help to nurture and sustain a learning ethic in their kids.

For every dollar invested in preschool programs such as the government's 23-year-old Head Start program or the Perry Preschool program in Ypsilanti, Mich., more than four times that amount is saved in public assistance, special education, and other costs. Children enrolled in such programs are much more likely to graduate from high school and be employed than children not enrolled in the programs. Some experts urge even earlier intervention, saying help should begin in the womb. Each dollar spent on prenatal care saves $3.38 in the cost of care for low birth-weight babies.

At the moment the government spends about $2.4 billion a year on the care and education of preschoolers. Compare that with a tab of $8.7 billion for one year's spending on space research and technology. Or $38 billion for a single year's worth of military research, development, and testing. Or compare it, even, with spending on the elderly. Since 1980, social programs that benefit children have suffered budget cuts in real terms, while programs benefiting the elderly have grown faster than inflation. Prenatal and preschool programs could reach most eligible participants with annual funding of anywhere from $2 billion to $10 billion, experts estimate. Increases of such magnitude, observes Isabel V. Sawhill, senior fellow at the Urban Institute in Washington, "won't exactly kill us."

■ **Pay teachers more, and perhaps transform the whole teaching process.** First there was reform, now there's restructuring. The process has begun, but more has to be done to enable the nation's schools to prepare students for life and work. This could involve "team" instruction, with highly qualified "lead" teachers, and new ways to teach thinking skills as well as the basics.

While the impetus and financing for these changes must come at the state and local level, the federal government can play an important role as a catalyst for change. The Education Dept. has a mixed record on this score. Its report, *A Nation at Risk*, shook up public school administrators and launched a reform process, but outgoing Education Secretary William J. Bennett has been impatient with results. And the Education Dept. could do more to promote demonstration projects and fund education research—efforts that would help educators improve the schools.

■ **Adopt major new incentives to train and retrain workers.** In a competitive and rapidly changing economy, old skills become outdated and new skills are needed. "Most of us, after the age of 25, change occupations three times and jobs six times," observes Pat Choate, director of TRW Inc.'s Office of Policy Analysis. How to prepare people for those changes? Spread the cost of training through new initiatives. An investment tax credit to businesses for money spent on improving worker skills is one idea. Or a tax credit could be granted to individuals for investments in training and education they make on their own. Another incentive to both employers and workers would be a tax-free individual training account, akin to the individual retirement account, which could be jointly contributed to by workers and businesses. For years, any tax break granted industry has been skewed way in favor of physical investment. These proposals would reverse that bias.

■ **Tailor the workplace to the new labor force.** To retain female workers who have many years' experience, and to enable those workers to be more productive, companies should extend child-care benefits to a far greater extent than they have to date. To keep older workers productive, employers should offer new duties and more flexible hours. And granting workers portable benefits could make them more mobile, and thus more responsive to the fast-changing labor demands of employers.

Too frequently, managers have looked at workers as a cost rather than a resource. And every extra dollar spent on workers was viewed as that much more of a burden, whereas it could be if wisely spent, a means to empower workers to do better. Hundreds of companies now recognize this to be true with respect to training. Investments in training yield tangible rewards, and accordingly business spends approximately $30 billion a year on training. The rewards of changing the workplace are also large. But a massive cultural adjustment may be necessary to realize them.

There's no doubt that government is in a belt-tightening mood, and business is eager to keep costs under control. But without strong leadership and new spending priorities, America's most precious resource will be neglected. In the words of a familiar advertisement: A mind is a terrible thing to waste.

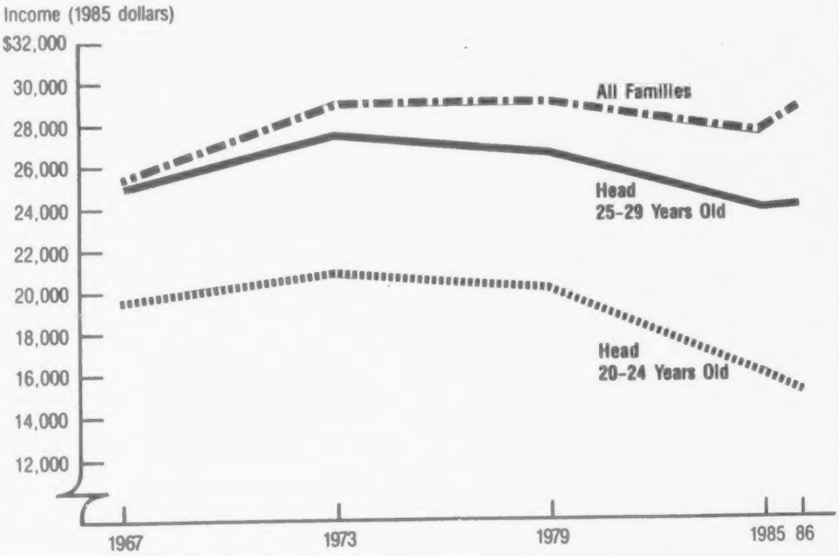
*By Karen Pennar in New York*

For information on reprints of this Special Report, call Business Week Reprints at 609 426-5494, or write Business Week Reprints, P.O. Box 457, Hightstown, N.J. 08520

## FROM 1973–86, YOUNG FAMILIES LOST OVER ONE-QUARTER OF THEIR REAL INCOME AND FARED FAR WORSE THAN ANY OTHER AGE GROUP

**TABLE 1**
**Trends in Real Median Incomes of Families, 1967-86, by Age of Family Head**
**(In 1985 dollars)**

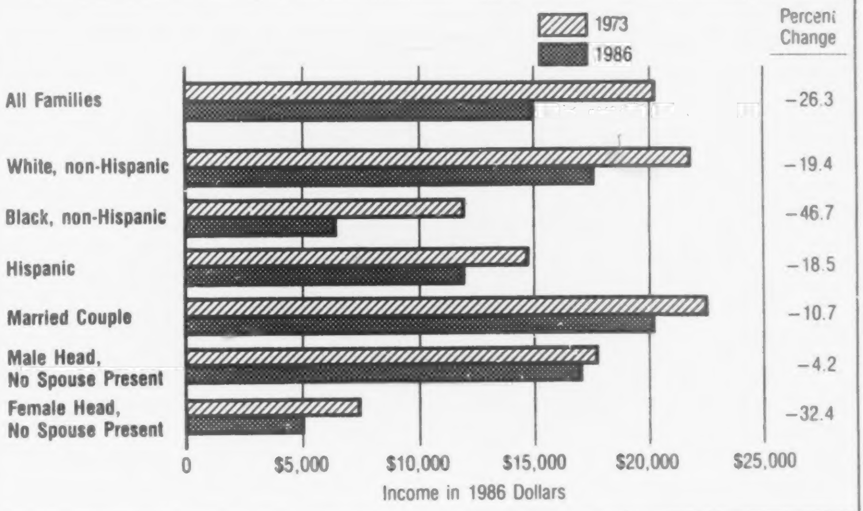
| Year | All Families | Head 25-29 Years Old | Head 20-24 Years Old |
|---|---|---|---|
| 1967 | $25,560 | $25,132 | $19,654 |
| 1973 | 29,175 | 27,551 | 20,821 |
| 1979 | 29,028 | 26,676 | 20,025 |
| 1985 | 27,735 | 24,000 | 16,000 |
| 1986 | 28,898 | 24,400 | 15,107 |
| **Percent Change** | | | |
| 1967-73 | +14.1 | +9.6 | +5.9 |
| 1973-86 | −1.0 | −11.4 | −27.4 |



# WHILE ALL YOUNG FAMILIES EARNED LESS, MINORITY- AND FEMALE-HEADED FAMILIES FARED FAR WORSE

**TABLE 2**
**Trends in the Real Median Incomes of Young Families, Headed by Persons 24-Years-old or Younger; by Type of Family and Race/Ethnic Origin of Family Householder, 1973-86**
**(In 1986 dollars)**

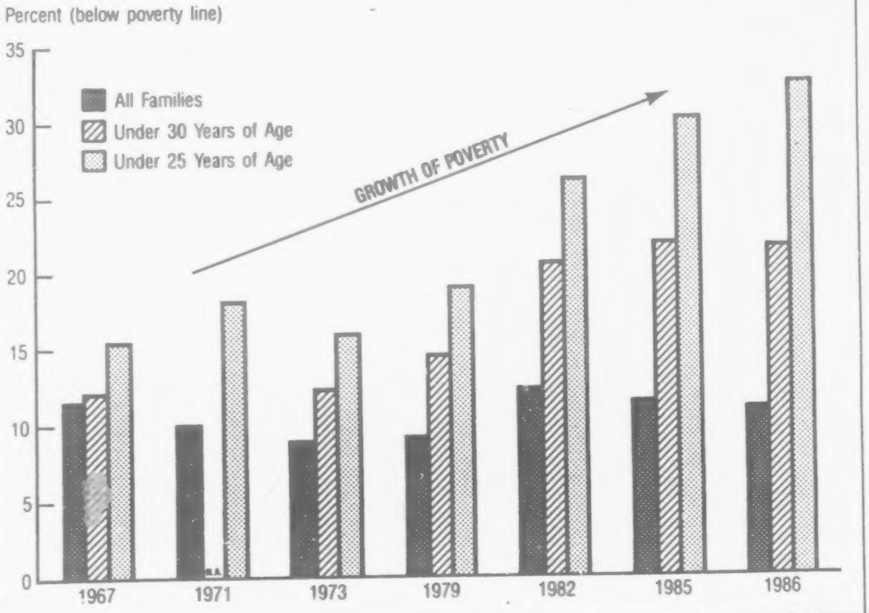
| Charactistics of Family Head | 1973 | 1986 | Percent Change 1973-86 |
|---|---|---|---|
| All Families | $20,229 | $14,900 | −26.3 |
| White, non-Hispanic | 21,710 | 17,500 | −19.4 |
| Black, non-Hispanic | 11,997 | 6,400 | −46.7 |
| Hispanic | 14,610 | 11,900 | −18.5 |
| Married Couple | 22,442 | 20,051 | −10.7 |
| Male Head, No Spouse Present | 17,688 | 16,952 | −4.2 |
| Female Head, No Spouse Present | 7,401 | 5,000 | −32.4 |



## BETWEEN 1967 AND 1986, THE POVERTY RATE OF YOUNG FAMILIES ALMOST DOUBLED

**TABLE 3**
**Primary Families With Income Below the Poverty Line, by Age of Family Head, 1967-86**
**(in percentages)**

| Year | All Families | Under 30 Years of Age | Under 25 Years of Age |
|---|---|---|---|
| 1967 | 11.4 | 12.1 | 15.3 |
| 1971 | 10.0 | N.A. | 18.0 |
| 1973 | 8.8 | 12.3 | 15.8 |
| 1979 | 9.1 | 14.5 | 19.1 |
| 1982 | 12.2 | 20.6 | 26.1 |
| 1985 | 11.4 | 21.8 | 30.2 |
| 1986 | 10.9 | 21.6 | 32.6 |



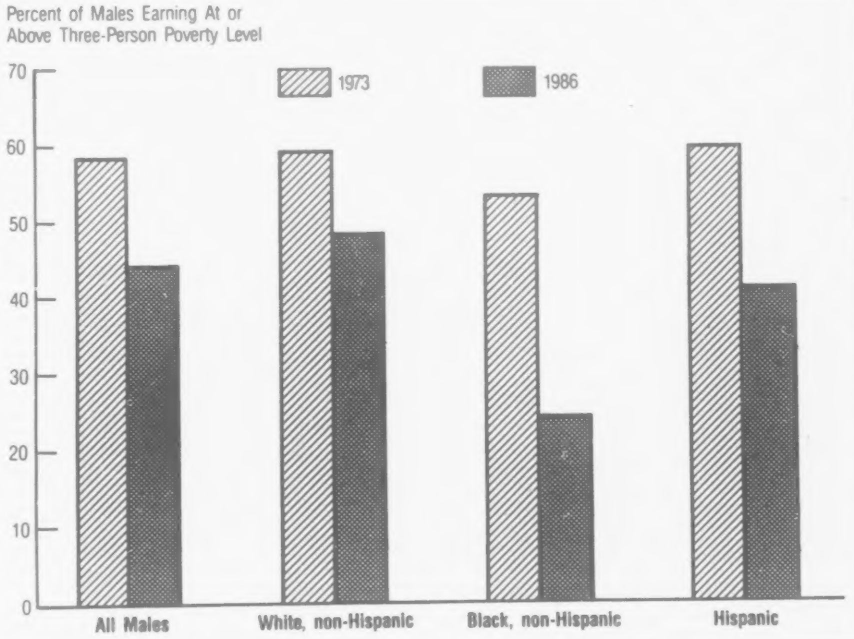
# YOUNG MALES ARE HAVING INCREASING DIFFICULTY EARNING ABOVE THE THREE-PERSON POVERTY LEVEL, MINORITY MALES MOST OF ALL

**TABLE 5**

**Percent of 20-24-Year-Old Males (All Educational Groups), With Real Annual Earnings At or Above the Three-Person Poverty Line, by Race/Ethnic Group: 1973-86**

**(In percentages)**

| | **1973** | **1986** |
|---|---|---|
| All Males | 58.3 | 43.8 |
| White, non-Hispanic | 59.3 | 48.2 |
| Black, non-Hispanic | 53.4 | 24.0 |
| Hispanic | 59.9 | 40.6 |



# HIGH SCHOOL GRADUATES EARN MORE AND ARE MORE LIKELY TO BE MARRIED AND LIVING WITH THEIR SPOUSES THAN ARE DROPOUTS

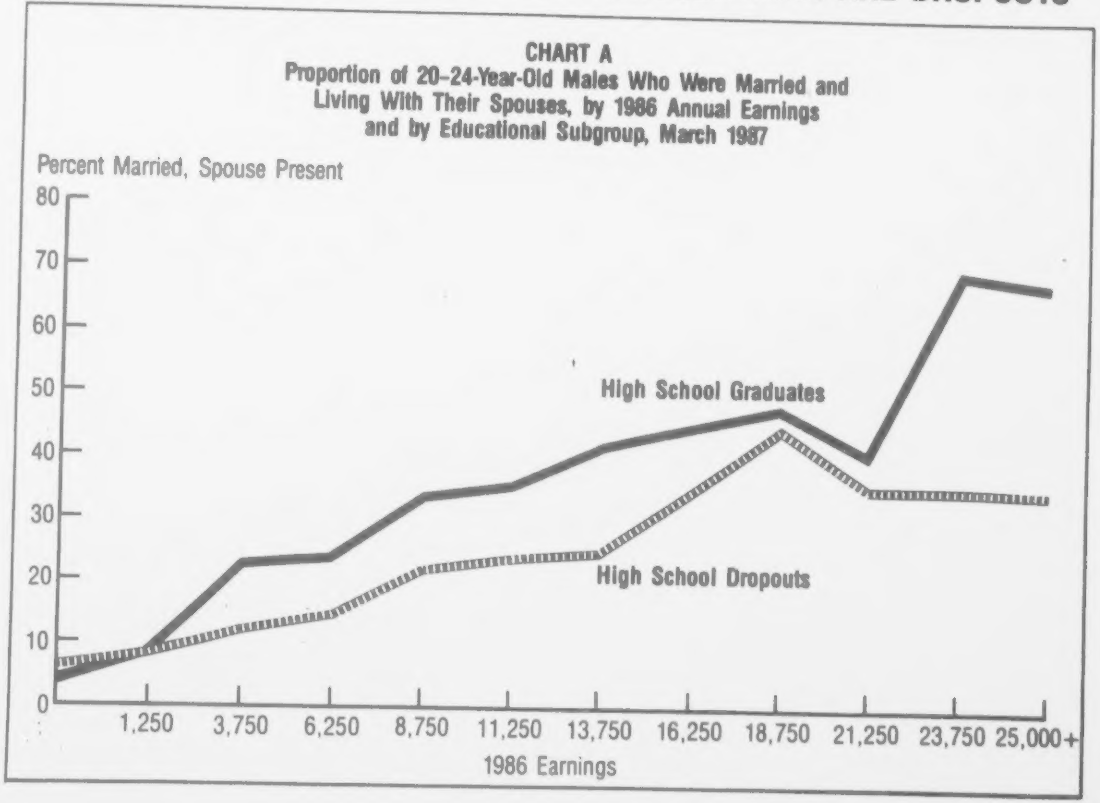


CHART A
Proportion of 20-24-Year-Old Males Who Were Married and Living With Their Spouses, by 1986 Annual Earnings and by Educational Subgroup, March 1987

# REGARDLESS OF RACE OR ETHNICITY, EARNINGS ARE HIGHLY CORRELATED WITH YEARS OF SCHOOLING

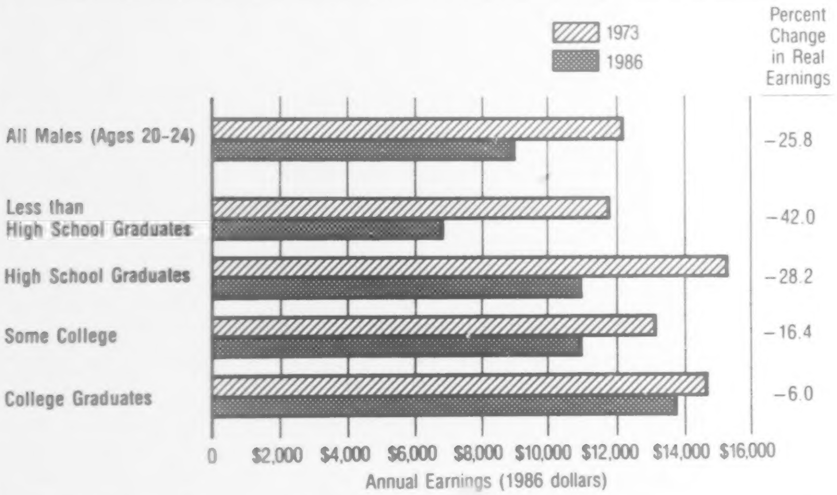
### TABLE 6

**Trends in the Real Mean Annual Earnings of 20–24-Year-Old Civilian Males, 1973–86, by Educational Attainment* and Race/Ethnic Group**

(in 1986 dollars)

| | All Males (20–24) | | % Change in Earnings 1973–86 | | | |
|---|---|---|---|---|---|---|
| | 1973 | 1986 | All | White (Non-Hispanic) | Black | Hispanic |
| All Males | $12,166 | $ 9,027 | −25.8 | −21.0 | −46.0 | −29.0 |
| Less than High School Graduates | 11,815 | 6,853 | −42.0 | −42.3 | −60.6 | −27.3 |
| High School Graduates | 15,221 | 10,924 | −28.2 | −24.4 | −43.8 | −34.5 |
| Some College | 13,108 | 10,960 | −16.4 | −11.3 | −42.7 | −21.2 |
| College Graduates | 14,630 | 13,759 | −6.0 | −5.6 | +6.5 | N.A. |

***Note:** Earnings data for schooling categories pertain only to those 20–24 year-old males who did not cite school as their major activity at the time of March 1974 and March 1987 surveys.

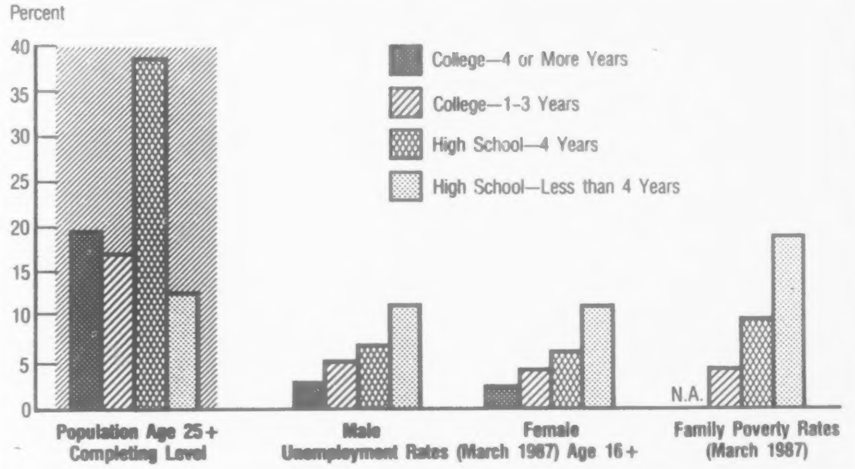


# COLLEGE GRADUATES ARE ONE-FIFTH AS LIKELY TO BE UNEMPLOYED AS HIGH SCHOOL DROPOUTS

**TABLE 8**
**Education, Unemployment, Poverty***

| Educational Level Completed | Percent of Population Age 25+ Completing Level | Unemployment Rates, of Persons Age 25-64 (March 1987) Male | Female | Family Poverty Rate (March 1987) (Head of Household Age 25+) |
|---|---|---|---|---|
| College—4 or More Years | 19.4% | 2.5% | 2.1% | N.A. |
| College—1-3 Years | 16.9 | 5.0 | 4.0 | 4.0% |
| High School—4 Years | 38.4 | 6.7 | 5.8 | 9.5 |
| High School—1-4 Years | 11.9 | 11.2 | 10.9 | 18.5 |
| Averages | | 6.0% | 5.2% | 10.9% |

***Note:** U.S. Bureau of the Census. *Statistical Abstract of the United States, 1988.* Washington, D.C.: USGPO, 1988. Tables 202, 634 (data for older workers provided by Bureau of Labor Statistics, July 1988), 719.



The CHAIRMAN. Our first witness is Dr. Lauro Cavazos, the Secretary of Education. His wife, Peggy, is with him here today. We welcome her.

Dr. Cavazos has a long and distinguished career. Before being Education Secretary, he was Professor and Dean at Tufts University School of Medicine and President of Texas Tech University.

We welcome you.

## STATEMENT OF HON. LAURO F. CAVAZOS, SECRETARY, U.S. DEPARTMENT OF EDUCATION, ACCOMPANIED BY CHARLES E.M. KOLB, DEPUTY UNDER SECRETARY, OFFICE OF PLANNING, BUDGET AND EVALUATION, U.S. DEPARTMENT OF EDUCATION

Secretary CAVAZOS. Thank you, Mr. Chairman and members of the committee.

I welcome this opportunity to talk with you about our plans for the Department of Education. I hope today marks the beginning of a firm allegiance between this committee and the new President. Only through our combined efforts—the collaboration of everyone—can we hope to turn the tide on one of the most massive and pressing problems before this Nation, which is what I have been calling and others have called "the education deficit".

Evidence everywhere indicates that our young people are not learning in school what they need in order to lead productive lives and maintain our free way of life in this country.

Recent years have seen education soar to the top of the nation's agenda. After extensive polling, Louis Harris told the House Subcommittee on Education and Health last year that; quote, "(M)ost Americans clearly see * * * change in education as the biggest key to making the country competitive again."

Americans are concerned. And they elected to the White House a leader who intends to be the Education President. That Presidency was launched last week by hosting 250 teachers from across the Nation at an Educational Inaugural Symposium. It was a symbolic act, but important. It signaled the kind of Presidency we can expect—reaching out, listening, asking for input from teachers, all of us working together to solve problems in the most urgent challenges we face as a Nation.

As the President's chief advocate for education policy, I will be active both in presenting the President's policies to you and in sharing your concerns with him. President Bush has said that education issues will be on his desk and on his mind every day.

Today, I want to talk about the changes we envision. The overriding goal that I intend to pursue during my tenure as Secretary of Education is to educate all Americans to their fullest potential.

As for the education budget, the proposal submitted under the Reagan Administration two and a half weeks ago reflects these priorities. Although limited by the fiscal constraints of the Gramm-Rudman-Hollings targets, we were able to keep the budget of the Department of Education level with the 1989 appropriation. More importantly, we rearranged priorities and redirected spending—roughly $750 million—to assist the needy and the most disadvantaged students.

The Federal Government contributes only 6 percent of the education dollars in this country. Some say this is a sum so small as to be, in the overall scheme of things, insignificant. But I believe the almost $22 billion that taxpayers invest can make a considerable difference—if we focus Federal dollars and the Nation's attention on building into the system three benchmarks of success for American education: expectations, access and accountability.

First, we must raise expectations of our schools and the students and faculty in them. As I have said, we must expect every American to be educated to his or her fullest potential. That can happen only if every student stays in school and earns a diploma. The current first-graders will graduate in the year 2000. By that time, it truly is our hope that our efforts will make the term "dropout" obsolete.

We must expect a diploma to mean something, to signify that its holder has mastered specific intellectual skills and knowledge. The exact nature of those skills and knowledge must be decided at the State and local levels.

Because we have relaxed our expectations too often in the past, 27 million Americans are functionally illiterate today. The proposed 1990 budget reflects our hope to help correct this by extending basic skills or secondary-level instruction to an additional 700,000 adults.

We must expect schools and teachers to improve instruction in all areas of the curriculum. We requested a 3.4 percent increase for improving the training of teachers and the quality of instruction in the sciences and mathematics. We also must expect all students to be exposed to more significant learning—more English, history and foreign language, as well as the science, and mathematics. Few things better express our educational expectations for youngsters than the subjects they must study and the high school courses we require of them.

In addition to the explicit curriculum, every school has an implicit or invisible curriculum; deliberately or not, every school encourages the development of certain student attitudes, habits, behaviors. Schools need to attend to developing the character of their charges. Furthermore, drugs ought to be met with zero tolerance. We must keep drugs and pushers away from the schoolhouse door and keep every youngster drug-free.

We requested a 3.4 percent increase in the Carl D. Perkins Vocational Education Act, which is up for reauthorization. Strong vocational-technical programs are a critical component of our efforts to educate every student—and to keep America competitive.

States must increase their efforts to meet their own particular challenges in education. The 3.4 percent requested increase for Chapter II block grants to assist elementary and secondary education (Chapter 2) would help meet this expectation.

Second, we must ensure that all our children have access to the kinds of intellectual experiences that will enable them to live up to our expectations for them. A quality education must be available to every student in America, and this includes the disadvantaged, the handicapped, the needy post-secondary students. This is the Federal Government's overriding goal in education, as reflected by the fact that funding for services to these groups comprises 85 percent of the budget for the Department of Education.

We were able to increase funding for Pell Grants to serve an additional 46,000 students and, for the first time, some 135,000 less-than-half-time students, many of whom attend community colleges.

The Nation's largest compensatory education program, Chapter I, would be increased to serve more than 100,000 additional preschool, elementary and high school youngsters. Funding for concentration grants would be increased by 52 percent, so that more funds could be targeted to areas of greatest need.

Bilingual education would be extended to 10,000 more youngsters, and funding for special education or early intervention services would be included for over 4.3 million handicapped children, including 47,000 who will be served for the first time.

We doubled the request for technology assistance grants, enabling twice as many States to receive funds for providing handicapped Americans with services.

Dropout prevention efforts must begin long before high school, for youngsters who leave school usually drop out mentally long before high school. We must begin assistance to the disadvantaged and the at-risk youngsters early. Recent studies suggest that those first few years lay the educational groundwork for the remainder of a child's life.

Third, we must build accountability into the education system. Students must be held accountable for learning certain knowledge and skills. Teachers must be accountable for making sure every student does learn those things. Schools and colleges must be held accountable for students' success.

Our schools must improve the academic performance of all our students, but particularly our disadvantaged students. During the Presidential campaign, President Bush has called for the establishment of a "Merit Schools" Program, which would provide both recognition and financial rewards to schools that improve, among other things, disadvantaged student performance.

Probably the most cost-effective means to improving school and student performance is to involve parents in the education of their children. We often speak of teachers—and I truly do believe and support teachers—as professionals. I believe we should also think of parents as professionals. They direct the learning of their children. Schools should be accountable for involving parents as active partners in supporting their children's learning.

We cannot wait until a child enters kindergarten, however. We must reach parents early and assist them during the critical first years of a child's life. We must coordinate these efforts with other Federal agencies as well as with States and local units that have responsibility in this area.

When a child does begin school, one way to increase and sustain parent involvement is to offer parents a clear incentive to get involved—give them a choice of schools. It has been demonstrated that choice works. Choice increases student learning. Schools of choice can help provide access to an equal, high-quality education for all children. And choice is a natural marketplace mechanism for encouraging every school to develop special strengths and more effective instructional programs. We in the Department will monitor State and local experiments with choice.

In conclusion, Mr. Chairman, I believe that we can make great strides toward our overall objective of educating every American to his or her fullest potential—if we focus Federal dollars and public attention on higher expectations, greater access, and more accountability in the educational system.

These are the themes I intend to stress as I continue to meet with teachers, principals, parents, students, policymakers, business people, Members of Congress and other Americans.

I know I can count on your support, because we all are on the side of angels on this issue. I look forward to working with you in solving what is one of the most pressing and urgent challenges that we face in this Nation.

Thank you.

[The prepared statement of Secretary Cavazos and responses to questions submitted by the committee follow:]

Testimony of Lauro F. Cavazos,
Secretary of Education, before the
United States Senate, Committee on Labor and Human Resources

January 27, 1989

Mr. Chairman:

I am pleased to be here this morning to discuss the views of our new President, George Bush, on education policy. A new presidency and a new Congress present a rare opportunity to rekindle hopes for a better future: in this case hope for the goal we all share, which is to educate every American to his or her fullest potential. This is indeed an auspicious occasion, and I hope it marks the beginning of a firm alliance between this Committee and President Bush. In my view that alliance would be a powerful force for the betterment of American education.

As George Bush has said, he is absolutely committed to improving education in America. During his campaign, he laid out in detail his future plans for education in a document called "Invest In Our Children." As President Bush has said, "Our children are our future. The way we treat our children reflects our values as a nation and as a people.... Children embody our respect for ourselves and for our future." And that is precisely why the President pledged to lead the nation in making a commitment to our children.

In the weeks ahead, I hope to expand on what the President's commitment to be "the education President" means to America, including the education community at large. The Secretary of Education is the President's chief advocate for education policy, and I will be active both in presenting the President's policies to you and in sharing your concerns with him. This President will have hands-on involvement with education policy, and I will be here to counsel, guide, and especially to carry out his policies. Both of us will need and welcome your help.

Since we are speaking of beginnings, I should mention that last week I was honored to join the President in his opening inaugural event, "A Teacher's Inaugural Experience." President Bush invited a group of nearly 250 educators to Washington to join him on this special occasion, and as I told the group, an Inauguration is not only a new beginning, but also a time for taking stock of how far we have come, in order to understand the unfinished business that lies ahead. So let us take stock today, so that together we can get to work.

## The Federal Share

First, however, we should take account of the circumstances that unavoidably shape our policy choices. I strongly share the view of President Bush that the Federal role in education can be a lot stronger than people might imagine -- even without regard to the power of the Federal education budget. That budget, while it represents only 6 percent of the roughly $330 billion that we spend on education each year, is a powerful tool in support of American education, and an invaluable means of leveraging other resources in aid of education.

The Federal education budget is a resource that can be deployed with considerable skill, particularly if it is targeted on areas of urgent national need. I have already begun the process of reordering the Federal education budget in pursuit of my pledge to you to fight for maximum resources for education. President Reagan supported our recommendation for a level-funded Fiscal Year 1990 budget of almost $22 billion that would redirect some spending, roughly $750 million, to assist the needy and the most disadvantaged in our education system. We asked, for example, for an increase of some $90 million in Chapter 1 concentration grants, money that goes to counties with the largest concentrations of children from poor families. President Reagan also requested an increase in funding for Pell Grants. Changes such as these -- doing more with what we have for the poor, the handicapped, the young people who most need help in reaching the first rung of the ladder of success -- must be a hallmark of our budget policy in education.

Measured by that standard, I believe President Reagan's last budget request for education is a strong start. The budget proposes allocating $6 billion, or 28 percent of the total, for programs aiding at-risk Americans: the poor, minorities, the illiterate, the homeless, immigrants and refugees, and the limited English proficient. Approximately 17 percent of our budget, or $3.9 billion, would go to programs that help the handicapped. Some $8.8 billion, or 40 percent of the budget, is provided for student aid: grants, loans, and work-study for over 6 million needy and deserving college students. Our Pell Grant budget would cover shortfalls in appropriations for 1988 and 1989, so that no reduction in the payment schedule will be necessary for the 1989-90 academic year. In addition, for the first time we will cover about 135,000 less-than-half-time students, many of whom attend community colleges.

All in all, over 85 percent -- or about $18.7 billion -- of our 1990 budget would be directed to programs that serve the disadvantaged, the handicapped, and needy postsecondary students. I mention these examples because I know President Bush agrees with the priorities in our budget. I look forward to working with him, and with you, to fine-tune this budget and win your support for an education budget that makes more effective use of every taxpayer dollar. This is a skill -- or perhaps an art -- that we will have to learn well in the coming years, as we continue to grapple with the budget deficit in the interest of securing a strong economic future for our children and grandchildren.

In short, Mr. Chairman, my mission as I see it is to seize upon the challenge of the budget deficit to work some creative policy changes and reaffirm the overriding principle of setting firm, fair, and compassionate priorities when spending the taxpayer's dollar. Let me speak for a moment of how I hope to do that.

First, the Education Department under George Bush will focus on three benchmarks of success: expectations, access, and accountability. Let me expand on each of these points and indicate how they can advance the goal of providing quality education.

Expectations. We expect every person in America to be educated to his or her fullest potential. That will result only when all students stay in school; so I want to see all of this year's first graders go on to graduate in the year 2000. We expect the term "dropout" to become obsolete. Many innovative approaches to the dropout problem are emerging throughout the United States, and we must lend a hand. We also expect every child to have the chance to build self-esteem and positive goals in early childhood. It appears that the first few years of a child's life make a huge difference to future academic success, so we will look into ways to build on existing early childhood programs and develop other initiatives in consultation with other Federal agencies and the States.

We expect every person in this nation to be literate. Today, twenty-seven million Americans are functionally illiterate. This is a deep concern of the new First Lady, and we have to draw on the many worthwhile educational programs already developed by the private sector. This is one area where a "thousand points of light" can shine brightly indeed.

Further, we should accent the positive and expect that all handicapped people be educated for maximum independence. We already have the programs in place, and we need to work more closely with the States to implement "what works" for the handicapped.

Finally, we should expect all academic programs to demonstrate excellence by producing results. That requires the participation of every citizen in the debate about quality education. Parents, teachers, Federal and State officials, school administrators and others must come together in support of truly meaningful standards of educational excellence. The Department of Education will do its best to nurture a consensus on educational standards and will provide support through research and development programs. We will work with the

States to advance the goal of quality education, and I know we have a lot to learn from them.

Access. Every student should have access to a quality education, and we must do more to target limited resources toward the goal of improving access for the poor, the at-risk students, and the handicapped. But for children to have access to quality education, parents must also be involved in selecting the school of their choice. Now, the word "choice" means many different things to different people. But as both former President Reagan and President Bush have observed, choice works. Some may disagree on the best way to give parents more options from which to choose, and on how choice programs can be used to build better schools. But the jury is already in on this one: choice will be a critical element in education reform for years to come. Indeed, it may prove to be the linchpin in our common efforts to ensure that all Americans -- black and white, rich and poor, Asian and Native American, Hispanic, and the handicapped -- have access to a quality education. We expect schools to compete with one another in academics because we believe that competition produces better results for everyone.

President Bush has asked our Department to monitor and focus on State and local experiments with choice, and we will do that in the interest of achieving better public schools. Where appropriate, we will encourage innovative choice programs with financial incentives, such as awards to magnet schools and grant competitions under programs like the Fund for the Improvement and Reform of Schools and Teaching. Most of all, we will look for success stories and share them. Choice is a powerful tool that can strengthen schools in trouble, not tear them down.

Accountability. This applies to all of us, because we are accountable to the nation for the quality of the education we provide. I have mentioned our concern for at-risk children. But there's also another "at-risk" problem facing many of our children, namely, the risk of attending an inadequate school. Choice can help in this area, but teachers must also be accountable in terms of their professionalism. They must be knowledgeable, caring, and unbiased about their children, and they must show results from their programs of education. We can help develop -- together with the States -- better certification and evaluation systems for our teachers. Further, we expect teachers to be responsible and accountable for their educational programs, and we will urge that they participate actively in decisions about what they teach and how they teach.

We should consider teachers as professionals. In the same manner, we know the crucial role of parents in providing love and support to their children. Perhaps we should think of parents also as "professionals." They have a joyous and difficult task. Parents are accountable for helping guide their children through the educational system. They must set a positive example, raise their children's expectations, and urge them to new educational heights. Similarly, students are accountable for their degree of motivation and commitment to learning. They must know why learning matters, and learn respect for themselves, their peers, and their elders. They must appreciate the dangers of drugs and alcohol and demonstrate the self-discipline to just say no.

To help raise expectations and increase accountability, George Bush has called for a "Merit Schools" program to provide both official recognition and financial support to schools that work, using standards defined by the States with some Federal guidance. At the Education Department we are working to put the "Merit Schools" concept into concrete form, and we have already reached some conclusions. In our view, "merit schools" are schools that produce results. We don't need another theoretical model to tell us which schools are doing a good job; we just have to look at what they are actually producing. In judging merit, then, we expect the States will want to look at such results as test scores; college participation rates;

successful employment of graduates; and, of critical importance, success in improving school participation and performance of the disadvantaged.

My personal commitment is to shape a Merit Schools program that places strong emphasis on reducing dropout rates. Dropouts are a tragic loss to our society, in both economic and human terms. By some estimates, each year's class of dropouts costs us over $240 billion over their lifetimes in lost wages and productivity. Keeping students in school must be a number one measure of success -- good schools give children the motivation to stick with it and succeed. Nothing could cap the success of the education reform movement like dramatic strides in reducing the number of dropouts.

I must stress that Merit Schools will be a cooperative program -- Federal, State, and local, as well as the private sector. We are here to support, not to dictate, and we will do whatever we can to help States decide on the best ways to measure merit. But the kinds of criteria I have outlined are, I believe, indisputably among the chief goals of education reform. And without meaningful goals -- a real raising of expectations, accessibility, and accountability -- no program can succeed.

## Spreading the Word

I have tried to sketch the framework for a newly invigorated Federal role in education policy under the Education President. But when all is said and done, budgets and programs are only part of the story. There's another equally important aspect to our role: getting out the word on where we're doing well and where we need to improve as a nation in education. Essentially, measuring accountability. For example, for some years we have been releasing a "Wall Chart on State Education Statistics." These statistics show trends and rankings in student performance as measured by factors such as graduation rates and exam scores, and rankings on teacher salaries and other resources. The sixth "Wall Chart" will be unveiled in February, and I hope President Bush will be able to join me in presenting this information to the American people. I am also glad to announce that beginning this year, the Wall Chart will be the basis for a comprehensive annual report I will submit to the President on the State of Education in America.

In short, we'll be getting out the word about our education successes as a nation as well as our shortcomings. I expect to spend a lot of time with the teachers and educators who are on the frontlines of the battle for better schools, and, I'll be inviting President Bush and Vice President Quayle to join me, whenever they can fit it into their schedules, as we seek ways to reduce our nation's education deficit.

Let me close with a personal perspective on education in America as we prepare for the 1990's. Too often I fear we view education as an independent field of endeavor, with its own particular goals, methods, and interests. Nothing can be further from the truth. In America -- as in any free, democratic society -- education is a critical part of the social fabric, not really divisible from the things we care most about in our lives: our families, our homes, our work, our neighborhoods. And, in a real sense, education is the critical link between our personal goals in life and our common goals as a free nation. For, as Thomas Jefferson said, "If a nation expects to be ignorant and free... it expects what never was and never will be."

There is another aspect I consider crucial in the development of young children, particularly in the early years when values and attitudes are firmly shaped, for good or ill. That is that no influence on young children is more powerful than the positive example of strong and caring parents. Nothing is more important than this. When we speak of education in America, we must not neglect the critical issue of strong moral support from family, neighborhood, community, and church in helping our children succeed. Parents, and teachers as well, must be free to inspire youngsters with proper moral and social values.

In conclusion, Mr. Chairman, let me summarize where we're headed in shaping America's education agenda. Working within existing budget constraints we need to target and direct the almost $22 billion now being spent by the Department of Education. Our priorities should reflect our greatest needs, and therefore I believe quite strongly that our dollars must be focused on the neediest members of our society. This means a strengthened, targeted Chapter 1 program, continued access to grants and loans for postsecondary education, a reauthorized vocational education program that prepares students for the jobs most needed to maintain a dynamic economy, support for programs addressing the needs of the handicapped, a strongly supported magnet schools program, and a merit schools program that will help us come to terms with our serious dropout situation.

Additionally, I pledge my support, as well as the Department's resources, for educational choice, parental involvement, and a vibrant, successful state-level reform movement. We can, at the Federal level encourage these efforts in many ways -- through evaluation and information-sharing, among others -- while allowing creativity and responsiveness to flourish at the State and local level.

All of these steps take us back to the three words with which I began: expectations, access, and accountability. In terms of education, these are the goals of the Bush Administration, and I look forward to working with your Committee to achieve the goals on which I am certain we all agree. Together we will find what works best to educate our young people, and together we will decide when more of the same just won't do -- and strike some new ground. For what binds us together -- common educational goals for our children and our nation -- is significantly stronger than anything which divides us. Let us now make common cause, and help the Education President lead us toward the twenty-first century.

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION

February 6, 1989

Honorable Edward M. Kennedy
Chairman
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are the responses of Secretary Cavazos to questions posed by the Committee following his testimony on January 27.

Please let me know if the we can be of further assistance.

Sincerely,

Carol C. Fox
Acting Assistant Secretary

400 MARYLAND AVE., S.W., WASHINGTON, D.C. 20202

## Questions for Secretary Cavazos from the Senate Committee on Labor and Human Resources

1

Question: President Bush has said he wants to increase funding for the Fund for the Improvement and Reform of Schools and Teaching (FIRST) from $6 million to $50 million. Senator Hatch and I authored the legislation that created this program and I am interested in knowing more about your plans and the timetable for expanding it.

Answer: The President has expressed strong support for the Fund for the Improvement and Reform of Schools and Teaching (FIRST). He is very interested in helping States and local school districts find and implement strategies for improving schools and teaching. We are currently considering a number of options to help him best carry out this and his other education priorities. After the President's budget proposals are finalized, and announced on February 9, we will be better able to discuss our plans.

Question: During the election campaign, President Bush promised to "eliminate adult illiteracy in 8 years." I'd like to know how you intend to go about this. How can you accomplish this without substantial increases in the funding for the Adult Education Act?

Answer: In the FY 1990 budget request, the Department requested an 18 percent increase in Adult Education Grants to states to continue the Administration's battle against adult illiteracy. These funds support programs that teach basic skills to illiterate adults and help other adults attain high school equivalency. Funds are also requested to continue national research, demonstration and evaluation efforts and to provide literacy training for homeless adults. Funding for the Even Start program, which assists illiterate parents and their children learn to read, is also requested.

I believe adult illiteracy is one of the most serious problems we face and I am totally committed to tackling the problem. In addition to proposing substantial funding increases for adult literacy programs, the Department will continue its efforts to promote private sector and volunteer participation in literacy programs. States and localities have also joined the battle by increasing their support for these programs. I plan to continue to work with the President and with Mrs. Busn, who has offered her assistance and support to the Department on several projects.

Question: Please tell us the status of ED's efforts to reduce student loan defaults. The comment period on Secretary Bennett's default regulations is open until the end of February. What are you likely to do with these regulations? How do these regulations relate to your request for comments and suggestions on defaults?

Answer: I view the student loan default problem as one of the most serious and complex issues facing the Department of Education, the Congress, postsecondary education institutions, and the lending community. Every dollar in default is money that could be spent on another student in need of assistance.

In response to my November 3, 1988, solicitation for public comment, we received over 1,200 comments. For the most part, they were extensive, thoughtful comments that addressed almost all of the questions posed. There was obviously considerable time and effort put into these comments, and we are doing our best to carefully analyze them.

On September 16, 1988, my predecessor, Secretary Bennett published a Notice of Proposed Rulemaking (NPRM) on defaults. We have received over 1,000 comments on this NPRM, and these comments are also being analyzed. The deadline for comments is February 28, 1989.

It is my intention to carefully consider the comments received in response to the September 16 NPRM before making decisions about whether to proceed with a final regulation.

Although the September 16 and November 3 initiatives have different purposes, many of the issues are the same and I want to use the best thinking from both of those efforts to address the student loan default problem by whatever means are necessary and effective.

Meanwhile, in consideration of what I view as the unacceptably high costs of student loan defaults, a number of legislative proposals were included in the Department's FY 1990 budget submitted to the Congress in January. These include increased risk-sharing with lenders and guarantee agencies, removing the statutory prohibition against using the National Student Loan Data System for enforcement of borrower eligibility rules, delayed disbursement for first-time borrowers, requirements for credit checks and improved information collection by institutions.

Question: President Bush said during the campaign that he wanted to increase funding for Head Start in order to serve all eligibile 4-year olds. What is the timeline for achieving that goal?

Answer: In 1970, George Bush co-sponsored the Comprehensive Head Start Child Development Act as a Congressman and he has been a long-standing supporter of the program. President Bush stated during his campaign that he would like to expand Head Start to all eligible 4 year olds. The expansion would require coordinated planning between health, education and social welfare agencies. Head Start is administered by the Department of Health and Human Services not the Department of Education. We do not take part in budget planning for the program, so therefore, I can supply no timeline at this point.

We are, however, working closely in planning and implementing new activities in early childhood education. For example, we are coordinating our study of childcare providers with an HHS-sponsored study of child care consumers. It is important to link early intervention programs, such as Head Start, with the elementary grades if we are to sustain the benefits of these programs.

Question: During the election campaign, President Bush proposed a $500 million program for "merit schools" designed to provide incentives to individual schools for raising academic standards, improving achievement levels, and lowering dropout rates. Won't this approach simply put money in the hands of schools that are already doing a good job? Will this make rich schools richer and poor schools poorer?

Answer: "Merit schools" is an exciting new concept that President Bush introduced during the campaign. Such an approach would not simply put more money in the hands of schools that are already doing a good job. Rich schools would not necessarily get richer and poor schools get poorer. Legislation could be crafted in such a way that most or all of the schools selected could be ones serving significant populations of the disadvantaged and making significant educational improvements.

In order not to simply reward schools that are already doing well, criteria could be established to determine if the merit school has demonstrated improvement in its programs from the baseline established when it was first selected. An example might be an inner-city school that was initially selected as a merit school because its dropout rate had been lowered from 50% to 35%. In order to continue to receive funding, the school must demonstrate that it has improved even further by, for example, further reduction in drop-out rates or significant improvement in test scores. The Department is still working on the details of the merit school concept, but hopes to submit a bill to Congress.

Question: During the campaign, President Bush said that he would hold a governor's conference on education to meet and discuss problems facing the schools. He also promised to make an annual "State of American Education" address. When would you envision these events taking place?

Answer: At this time, I am not able to provide an estimate as to when these events would be held. The Administration is currently reviewing all of President Bush's campaign commitments and proposals, with a particular eye towards those relating to education. When this review is completed, we will begin the process of coordinating between the White House and the Education Department to make these proposals reality.

Question: President Bush has said he supports increased drug-education efforts. Will you be requesting increased funding for the Drug Free Schools program?

Answer: The Drug Free Schools program has been and will continue to be an important priority in the Department. The funding level of this program, as well as other priority areas, is currently under consideration and any changes will be announced on February 9 when President Bush presents his revised budget.

Question: One of the first concerns on our agenda will be the reauthorization of the Perkins Vocational Education Act. When will we have the Administration's reauthorization proposals? Can you give us some idea of what they will include?

Answer: We are in the process of putting the final touches on the Department's vocational education proposal and expect to have it ready to share with Congress prior to the reauthorization hearings that begin in the House of Representatives in March. It is important to me to share our ideas for making improvements in the Carl Perkins Act before you begin the process of drafting your proposal.

I did have an opportunity to shape the Department's legislative proposal with my own thoughts and priorities. However, it is not appropriate for me to reveal the specifics of that proposal before it is cleared by OMB.

I think it will suffice to say that I am committed to strengthening vocational education programs in our Nation's schools and community colleges, as evidenced by the increased funding request in the Department's FY 90 budget document. Generally, my priorities for the reauthorization include:

1) simplification of the funding structure of the Act to provide greater flexibility to meet local needs and priorities,

2) providing a greater emphasis on high school vocational education programs to provide basic skills instruction and to prevent dropouts,

3) encouraging more business and private sector involvement,

4) building a labor force for the future so that our country can maintain a dynamic and competitive economy, and

5) requiring greater accountability for job attainment and educational attainment of vocational education graduates.

Question: President Bush has said that he wants to improve the targeting of Chapter 1 grants to school districts with the highest concentration of disadvantaged students. What changes do you have in mind?

Answer: I do not have any immediate changes in mind. Chapter 1 will be a priority for funding, as it was in the FY 1990 budget request to Congress, so that more disadvantaged children who need these remedial services are served. During the reauthorization of Chapter 1 last year, Congress adopted the Administration's recommendation to fund Concentration Grants, which target funds on counties with high concentrations of disadvantaged children. I will support a continuation of focusing these funds on children who need services most.

Question: You have recently spoken to the importance of early childhood education. At the present time, the Department of Education has almost no activities in this area. Do you foresee any initiatives by the Department of Education in this area?

Answer: I believe that it is essential to identify those youngsters in greatest need as early as possible and provide appropriate services for them. This year, the Department has requested funding for the Even Start program, so that illiterate parents and their pre-school children have an opportunity to learn together. It is programs like this that deserve our support to combat illiteracy and to help those children in greatest need to have an opportunity to succeed in our society. Additionally, in response to changes made in the EHA Amendments of 1986, which relate to providing and expanding services to children, aged birth through five, with handicaps, the Department has funded a member of technical assistance, training and demonstration projects related to improving services for this population. In October 1987, the Department signed a memorandum of understanding with various agencies within HHS to form a Federal Interagency Coordinating Council to promote a coordinated approach to sharing Federal information and resources for infants, toddlers, and pre-school children with handicaps.

We are still exploring other areas to serve the pre-school, "at risk" population. So, it is premature for me to outline specifics in this area. Currently, the Department administers several programs such as the Chapter 1 program which serves approximately 348,000 disadvantaged preschool children, about 30,000 handicapped infants and toddlers and about 48,000 handicapped three to five year olds. Education of the Handicapped programs serve 288,000 three to five year olds and we expect an additional 38,000 to be served in 1989. A new EHA program to serve developmentally delayed infants and toddlers is in the process of being implemented. Pre-school children are also served through bilingual and migrant education programs.

In November, the Department of Education held a national conference on policy issues related to early childhood education and care, attended by 400 people from 36 states, including legislative and executive agency staff, early childhood professionals, public schools administrators, teachers, and researchers. ED plans to follow up the conference with such activities as the publication of proceedings and conference papers, as well as regional meetings that focus on local needs and priorities related to early education and care.

ED has awarded contracts for several major research projects in this area, including:

-- A profile of child care settings, begun in October 1988, which will provide nationally representative information on the characteristics of child care in different types of centers and licensed family day care homes. The study will be conducted through a survey of child care providers and will include an emphasis on programs for preschoolers and disadvantaged children. It is being coordinated with a study on families using child care being undertaken by the Department of Health and Human Services, Head Start Bureau.

-- A study, also begun in 1988 of ways to retain the benefits of preschool learning programs for disadvantaged children. The Study will examine programs that bridge pre-school with the early elementary grades and that promote better parental involvement with the schools. The study will survey school systems and selected schools to learn about transition program policies and practice. It will also conduct case studies of outstanding transition and family education programs.

The results of both studies will be available early in 1991.

Other projects under consideration in ED are research related to before and after-school care, the role of the public schools in providing and coordinating services for young children, and other topics relevant both to the mission of the Department and to improving the quality of education and care for young children.

Question: In a speech last week, you said that "accountability" would be one of the themes emphasized by the Bush Administration. In the Reagan Administration, this theme often meant merit pay and teacher-testing plans. What will you do to ensure that the accountability theme does not simply become an emotionally charged code word?

Answer: Accountability will be a central theme of the Bush Administration, and I intend to do everything possible to carry out this principle at the federal level and to encourage States and localities to do the same.

The Department is vigorously implementing the Congressional mandate for program improvement in the Chapter 1 program for the Nation's disadvantaged children as well as the strengthened accountability provisions under the Drug-Free Schools and Communities Act.

The Department is also reviewing its own operations to ensure that Federal aid supports education activities that give the greatest promise of success. As the President has advocated, we intend, within authority granted by Congress, to put a new emphasis on accountability in federally-funded projects--to continue funding those projects that are successful, to redirect unsuccessful projects into more promising paths, and to discontinue funding if redirection does not get results. The Department will present the Congress with appropriate legislative proposals, where necessary, to give authority and direction to the program accountability and improvement initiative.

An essential part of the Department's agenda during the Bush Administration will be to make sure that Federal dollars for education are wisely and effectively spent.

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| Question: | One issue on the Committee's agenda is to try to do something in the area of teacher recruitment and retention. Does the Administration have any views on this subject? |
| Answer: | The Department of Education supports efforts to raise standards for teachers and promote the professionalization of the Nation's teaching force. Through these efforts, we believe more high-quality candidates will enter the teaching profession and our good teachers will be encouraged to stay in the profession. The following activities represent current areas of Federal involvement: |

- o The Department will support innovation in raising teacher standards and quality through the newly created Fund for the Improvement and Reform of Schools and Teaching (FIRST). Among its objectives, FIRST is designed to improve the performance of teachers by providing opportunities to improve the professional status of teachers. $5.9 million has been appropriated for FY 1989.

- o The Mathematics and Science Education program (ESEA Title II) provides grants to States to improve teacher training and instruction in the areas of mathematics and science. The discretionary grants portion supports special projects to upgrade teacher quality in these fields.

- o To increase the number of minorities entering the teaching profession, we must concentrate on improving the quality of education that minority youngsters receive. Improving elementary and secondary education will reduce dropout rates and increase the number of minorities entering and completing college. To retain minority teachers we must improve their working conditions, particularly in urban schools.

Question: Many graduate and professional students borrow heavily to finance their education. Borrowing by medical and dental students have especially large debts. According to the Association of American Medical Colleges, the average borrower graduates with almost $40,000 in educational debts. Twenty-four percent of the borrowers owe more than $50,000. I am concerned that the prospect of repaying loans discourages some students from going to medical school and influences the personal and professional choices made by those who go to medical schools. I will shortly introduce legislation that would require a study of this issue by the National Advisory Committee on Student Financial Assistance.

Will you work closely with the Advisory Committee in carrying out this study? Do you believe medical students are borrowing excessive amounts of money to finance their education? Do you believe that we should revise the existing student aid deferments to address this problem?

Answer: In the event the National Advisory Committee on Student Financial Assistance undertakes a study of the issue of medical and dental students' borrowing costs, the Department will certainly cooperate in that effort.

The cost of a medical education is very high, thus driving up the level of borrowing. This does not appear to be detering applicants to medical schools. In addition, we have no evidence that there is a high rate of default among medical graduates.

Thus, unless it is established that there is a problem in this area, it would be premature for me to take a position on substantially changing current law for medical and dental student loan borrowers.

At the present time such borrowers by law receive up to two years deferment on repayment of their student loans at considerable cost to the taxpayer. Over the years, this and other categorical deferments have been added to the law. I think one approach to consider for medical/dental students, as well as all other student borrowers, would be a single "hardship deferment" based on regulatory criteria and limited to three years.

Question: Mr. Secretary, I'm pleased that you are supportive of "choice". I also know that President Bush intends to ask for $50 million in additional money for magnet schools programs. These schools have been a noted success. Thus, I would hope that their scope could be expanded so they are available to more and more students. As a result, do you think that President Bush's proposal will allow for more districts and more students to be eligible and permit such funds to be used for purposes in addition to desegregation efforts?

Answer: I am very supportive of expanded choice in education, and this will certainly be one of the priorities of the Bush-Quayle Administration. Although I cannot address specifics of President Bush's magnet school proposal, we are giving serious consideration to the issue of whether Federal support for magnet schools should be extended to districts not undergoing desegregation.

The CHAIRMAN. Thank you very much, Mr. Secretary.

I want to commend you for your statement. There are a number of things in here which we can perhaps get into in the questioning. We will include your full statement in its entirety since you were good enough to provide that to us yesterday so we had a chance to review it last evening.

You talk about educating everyone to their fullest potential. That is, of course, an ambitious undertaking which is going to take, as we know, considerable resources as well as the resources we are now providing. Then you emphasized, as President Bush has, the FIRST Program, which came out of our committee, and have requested $6 million for that program. This tries to provide the development awards for magnet schools, encourages teachers to be more creative and involved in terms of strengthening the curriculum in their various classes, and finally aims to find out what is working well at the local level and expand that opportunity so that we at the national level can benefit. So I am glad you mentioned FIRST, and I hope we will see some expansion.

I think the involvement of parents is crucial. As you know, we passed Senator Bradley's bill, H.R. 5, last year to provide greater opportunities for involving parents. It appears self-evident, but we have yet to do as much as we can in this area. I think those who have been involved in the educational system understand its importance; and to try and get some encouragement, which you clearly mentioned, I think is hopeful.

Your emphasis on the dropout problem is obviously a key. Then, in the latter part of your statement, you addressed measuring accountability. This is something that I think all of us are very much committed to. We are going to need the resources to find out what does and does not work to obtain reliable accountability.

For too long, I think, the general publics concern of Federal programs is that we have not had accountability, and that is certainly part of our responsibility in terms of an oversight. But you mentioned that we are going to have to assure there are adequate resources, again, in that area to try and fulfill what I think has been an excellent point made in your statement.

We will follow the ten-minute rule. For our newer members, we go to the chairman and the ranking member. After the ranking minority member, I go to the chairman of the subcommittee, and then proceed.

I see Senator Kassebaum here. If she would like to make any opening statement, we would be glad to have that.

Senator KASSEBAUM. Thank you, Mr. Chairman. I will just do that in the context of my questioning.

The CHAIRMAN. That would be fine.

So we will start with ten-minute rule now.

President Bush talked during the course of the campaign about the improvement and reform of schools and teaching, the FIRS program, and he mentioned a larger financial commitment.

Let me go back one step, Mr. Secretary. Can you give us any assurances—or, what can you tell us, or can you tell us—whether there will be any change in President Reagan's budget when President Bush sends up his message to the Congress in mid-February? Can we be hopeful about that?

Secretary CAVAZOS. Let me say, Mr. Chairman and members of the committee, first of all that we are currently working with the White House, trying to shape that budget, which will be submitted early next month. So many of the things that the President talked about during the campaign will hopefully be reflected in that budget. We are doing the best that we can in that area, and I think you can see from the statement I have made today, and certainly many of the positions that I have taken over the last few months, as well as in my confirmation, that we will continue to push as best we can to fund those specific areas where we think we can make a difference.

The CHAIRMAN. Well, that is certainly encouraging and gives us all some sense of hope, and perhaps responds to some of my questions. I wanted to address such issues as the improvement and reform of schools and teachers, the FIRST program, which you mentioned, President Reagan's $6 million budget, and President Bush's talk of a larger sum. I suppose that program is one of those being considered.

Secretary CAVAZOS. Yes sir, it is.

The CHAIRMAN. You mentioned that President Bush also talked about eliminating adult illiteracy in eight years. I do not know many liberals who could make a statement like that. I do not know whether there is anything you would like to add to that. We have talked about some of the literacy programs that each of us have been interested in, and you are familiar with some. Would you address that, please?

Secretary CAVAZOS. Yes, Mr. Chairman, I would be delighted to address that.

I think certainly if we stop and think about the fact that we have 27 million illiterate adults in this Nation, and that there are probably another 40 to 50 million Americans that we will call "marginally literate"—perhaps at the fourth-grade level in terms of comprehension—and that we also have figures indicating that this pool of illiterates grows by about 1.5 million Americans per year—that illiteracy is a devastating, extremely serious problem.

I am so pleased that the First Lady, Mrs. Bush, has chosen illiteracy as one of her prime areas of interest, and we look forward to working with her in extending current programs.

This effort to combat illiteracy must be a nationwide effort. It cannot just be the Department of Education. We certainly are going to work with this committee, with the Congress and with the White House in coming up with the necessary initiatives. However, we are going to have to involve the State and the local level.

I come back to the point that we spend $330 billion on education in America, and the Federal Government brings to the table only 6 percent of that amount. So therefore, our efforts must be coordinated in making sure that this is high on the agenda.

I will add one other place where many people still, perhaps, do not address this problem, and that is in the workplace. We must involve businesses and corporations. I have met with many people from the business community who continue to say, "Illiteracy is a pressing problem. We are starting our own programs." I respond that we must work together on this problem.

What I am saying, Mr. Chairman, is that we must bring everyone together to focus on illiteracy. I do not believe there is any one, simple approach. We have some funding in the programs operating within the Department, some things that we hope to do to encourage the States to contribute to the effort, but it is going to require all of us. It must be on the front burner of America's concerns.

The CHAIRMAN. Well, I am glad you are familiar with it. We have 11 million college students, and we ought to get them involved in this program, too.

Secretary CAVAZOS. Yes.

The CHAIRMAN. And the principal block, as we have talked, is the fact that they do it in some of the universities as voluntary programs, but for some academic credit in the liberal arts programs, which I think is completely justified, as various colleges and universities have demonstrated. For example, as I mentioned before, we now have six programs in the greater Boston area funded by the business community and having an important impact in terms not only for the young people involved in them, but the colleges themselves. We have $5 million dollars invested in that program, and we can start it in over 200 colleges next year, in addition to what we might be able to do in terms of the private sector. Those 11 million Americans, they should be doing something for this country, too. But we should utilize these universities to begin, in a creative and imaginative way that is consistent with their academic traditions of excellence, to involve themselves. We will be talking or visiting on that, because I think there is a great area of need.

Can you tell us about the student loan default programs. We have been around with the Department in the previous Administration on this issue. We will pass legislation here—I know the House has a different position and wants the Department to take on most of the responsibility but we have had a different position on it, and we have developed a strong consensus.

Can you tell us what your views are on that?

Secretary CAVAZOS. As you are aware, back in the fall one of the first things I did as Secretary of Education was to delay the implementation of those regs until we had a chance to get more input from everyone relative to this vital issue.

First of all, the default issue is a tremendous concern of ours. We must be accountable for those federal dollars, because defaults are eating away at monies available for other students. So we are committed to collecting that money.

I wrote to at least 1,000 universities and asked for their input. I asked them to tell me about what they saw in these proposed regulations, and what their ideas were as to how we could resolve the default problem. I am pleased to report that 900 of them responded. We received 1,200 additional responses to our request for comments on our regulations. What that tells us, of course, immediately is that there is a vital interest out there, and we must take our time finalizing these regulations in the next few weeks. We are going to meet our deadline—what is that date?

Mr. KOLB. The Notice of Proposed Rulemaking is still on the table, with comments coming in at the end of February. But once we have received and reviewed all of those comments, Mr. Chairman, we hope to have comprehensive proposals to address this I think at some point in March.

The **Chairman**. So we are moving; in other words, what I am getting at here, sir, is we have gone out, and we really have listened to the universities, the proprietary schools, and all the people who are involved with this. So we will have those regulations ready at that time and try to move them ahead. I am committed to that.

You have recently spoken about the importance of early childhood education. The Department has very little going in this area. Could you expand your on this issue?

Secretary **Cavazos**. I really believe as I have studied this more and more that if we are going to affect, for example, the dropout problem—as your chart so eloquently shows in a visual sense—we must start in the early childhood years, long before they get into traditional school systems. Therefore, it is our expectation that we will work with the other Federal agencies that have these early childhood programs already in place. Where they are looking at daycare and some other things, we must also look at the possibility of significant learning experiences for these youngsters before they reach traditional schooling.

It is in these early years, when they are two and three years old, that children start developing their own expectations of themselves and how they conduct themselves and their motivations and drives and skills. We should capitalize on that, and we have not been doing that. I really would like to see us come together and move into not just the daycare aspect of it. And I do not care which agency does this, but let's talk about learning care, let's talk about making that really a learning kind of situation.

The **Chairman**. That is excellent, and we look forward to working with you.

Finally, because my time is almost up, on the vocational education reauthorization—we are catching you awfully quickly in terms of your term here—could you give us some insight as to how you think that might be altered or changed to try and encourage the development of new skills to deal with some of the new challenges?

Secretary **Cavazos**. First of all, Mr. Chairman, I am very committed to vocational-technical education. I think it is an important part of what we do in this country, and I have already made it clear to the Department that this commitment is one that also expects those students going through high school to be educated completely, not to distinguish in terms that perhaps one is college-bound and one is going in another direction toward vocational-technical. I still think the fundamentals of mathematics, English and history and other subjects need to be there. And I would hope that in any bill we shape, that on emphasis on fundamentals is a piece of that.

The second thing I would say keep in mind is that there is data that indicates that people will make major changes in their careers, four, five, six times in a lifetime, after they leave high school. We want to prepare those people so that they can make these kinds of career shifts.

You will find me very supportive of vocational-technical education. I think it is vital that we work with industry as well as with other groups groups to move ahead.

Do you have anything on the regulations, on the timing?

Mr. **Kolb**. On the timing of the proposal, Mr. Chairman, we are now working with OMB, and I hope we are at the final stages of putting the last-minute touches on the Administration's proposal. But we hope to have something up to you shortly for consideration during the reauthorization process.

The **Chairman**. Thank you very much.

Senator Pell?

Senator **Pell**. Thank you very much.

One thing that struck me is whether our children are getting the amount of education they can absorb. The longer I have been exposed to education problems, the more I realize that the children are not absorbing all that they should be able to absorb and can absorb if they are properly taught.

One thought here would be that we ought to lengthen the school year. In this regard I was looking at some of the competitor nations. We have 180 days a year; Sweden has 200; Canada, 200; Thailand, 220; East Germany, 210; the USSR, 210.

I was just curious what your thinking is about a general program to lengthen the school year. As of now, just half the days of the year are used for education; the other half are used for television, play, sleeping and eating.

Secretary **Cavazos**. And I think in the last part of your statement is the critical message, Senator Pell. When we talk about lengthening the school year—certainly, people say if we do more, it is bound to be better—but I would approach it another way and ask, what are we doing now, and how can we improve what we are doing now so that they do not get themselves into a situation where they are spending the afternoon in nonintellectual pursuits?

So I think we need to do two things. One, we need to be sure that what we are doing now is of academic quality and of significance and really challenges the young people in terms of their education. I think this is the first thing we must do. And then, having done that, we then can say, well, would it be even better now if we lengthened the school year? But then I would ask the next question—what are we going to teach? How are we truly going to make that a significant educational experience?

It is not enough just to simply say that if we keep them in school longer, they are going to learn more. I would go back exactly to your point, sir, and say let us be sure that what we are teaching them is vital and helps them at this stage, and then let us think about if we could do some more. I agree with you.

Senator **Pell**. What is your thinking, Mr. Secretary, on the connection between student aid and national service? There are a variety of national services proposals. Some of us are supporting a demonstration program; others have a more Draconian approach. I was just curious what your own thinking was.

Secretary **Cavazos**. Well, actually, we are just starting to get a formal review of all of this. Let me say that I have always encouraged community service; I think all of us recognize that. But I really want to be cautious at this time about proposing any complete overhaul of the federal student aid system. It may work, but it has other implications that bother me. I have not, frankly, re-solved in my own mind such issues as equity, access, and what happens in these cases.

So I certainly want to state on the record that I am supportive of public service. I just want to make sure that if we go in that direction it will not hold somebody back one or two years before they can actually enter into the system, making it less competitive for them.

In other words, if this sounds like a rather vague answer, it is because—sure, all of us are in support of people working and doing these other good things, but let us make sure that as we arrive at these programs, we do not hurt people or programs. Let us think through that a little more. I will be glad to put it down for you in writing.

Senator PELL. I appreciate that, and I think you are very right that we tend to tinker and change things too often. Very often, I think the community gets used to a particular program, and sometimes it is better not to tinker with it if it is working. But this is a new concept that is arising, I think, that some form of national service is a good idea. Personally, I like the idea; I would like to see it compulsory—but that is very unpopular and would never be, and I recognize that. But I would hope this would happen, carrying out our chairman's brother's words, "Ask not what the country can do for you; ask what you can do for the country." That concept is very much lost sight of, I think.

I have another question about the rationale behind the abrupt difference between 12 years of education, finishing high school and then moving on to college. Shouldn't there be more of a continuum where the process goes on and there is less of a sharp divide between high school and college?

Secretary CAVAZOS. Yes, Senator, there really should, and I think we should seek ways of finding that continuum. I have already had a number of sessions with university presidents. Sometimes I try to stay away from wearing that hat, but I fall back into it from time to time and meet with those people and point out to them that there are certain expectations that, frankly, I hope we all have about higher education. And this is really what I believe to that point. I really believe that the universities must make an effort to take down their ivory-covered walls, to open themselves to the community and to be a part of that community.

Sometimes in my former life as a university president, I would say why in the world are these students coming here; they are not prepared for the university; they are going to get in trouble and so on. What I really should have asked, Senator, was why don't we move out into the community, work with the primary and secondary schools, ease that transition and prepare these students so they do see it as a continuum, exactly as you are pointing out.

I have already asked my colleagues and friends in the higher education community to start thinking about that, and I must say, to their credit, it has been very well-received.

Senator PELL. I think Admiral Watkins, when he was working in some of these fields before taking on his present responsibilities, was very much of the idea that Navy people, military people, could be encouraged and would volunteer to help ease this transition and teach kids on a voluntary basis, on weekends and things of that sort. And I believe the educational community saw that almost as a threat and discouraged it. What is your view?

Secretary CAVAZOS. I would encourage anything that would help students learn. I think we must do that and make an education available to everyone. I have talked to teachers and others professionals, and it seems that everyone is feeling the same pressures that we are feeling. We want to educate these people, but I think we are groping a little bit right now with how to accomplish this task.

But I think, Senator, I can reassure you that this country is coming together on this issue. Everything I read makes me believe that we are going to go through a little period of time here where perhaps some proprietary interests are going to be involved, but those are going to be set aside.

I have lost track of the number of organizations and people I have met—an entire spectrum of people involved in education: parents, teachers, superintendents, people who head up national organizations at all levels—and I have said let us come together on these issues, and let us focus on them. We are going to agree most of the time, and sometimes, we are going to disagree. We want to understand why we disagree and work out our differences.

Senator, I truly sense that we are going to enter a new time in America when people will set aside these differences and really consider one thing: What is best for the education of our children. If we can keep that in the forefront I think we can solve the other problems.

Senator PELL. Thank you very much. As I said to you privately, I think the country is very fortunate to have you in the job where you are.

Thank you very much.

Secretary CAVAZOS. Thank you, Senator. That is very kind.

The CHAIRMAN. I would just mention there is an interesting Navy program in Florida where they are utilizing retired naval officers by moving them into the school system, and it is working. It is sort of a trial, but I have been rather interested by what has been done.

Secretary CAVAZOS. Excuse me, Senator. May I perhaps point out one other thing?

The CHAIRMAN. Of course.

Secretary CAVAZOS. We are very interested in alternative certification. It often falls back into the same group where people, particularly in the service or other areas, have had a lot of experience. We have a dreadful shortage of minority teachers, particularly a shortage of math and physics teachers. We are looking at a number of strategies of which alternative certification is one of them.

The CHAIRMAN. Very good.

Senator Kassebaum?

## OPENING STATEMENT OF SENATOR KASSEBAUM

Senator KASSEBAUM. Thank you, Mr. Secretary.

I just want to say I thought your opening statement was very thoughtful and clearly showed your dedication to quality education.

I consider quality education to be one of our most important goals, and I am very pleased that President Bush has put that at the top of his agenda. More than just dollars that come from the Federal Government to education is the ability to use that office as a "bully pulpit". The same is true for you, Mr. Secretary, and for us.

As a new member of this committee, I am very pleased to have the opportunity, an opportunity I actively sought, to be ranking member of the Education Subcommittee, because my only previous elected office was to the Maize, Kansas, School Board. Some of my colleagues may wish I had had further experience in the legislative arena, but it is something of which I am very proud. I have worked closely with education issues as my own children have gone through public schools, and, with some relief, I say now they have completed their educations.

You mentioned several things and touched on, of course, all of the important issues. One you mentioned was the choice of schools. And choice, as you well know, means many different things to many people, from magnet schools to vouchers. Having come from, a relatively small rural school district, I am curious about some of the questions that have been raised about choice, and I am pleased that you think it is important to study those initiatives in States and districts that are undertaking them.

There has been concern expressed that various arrangements providing for educational choice offer great opportunities to those who are fairly well-off, but perhaps hamper the disadvantaged and place them in a difficult position.

Do you believe this is a valid concern?

Secretary Cavazos. I think this is something we need to be careful does not happen. I am not so sure that this is the overriding concern for me because choice, in the way that we have envisioned it, really opens up an opportunity for parents to have more say in selecting those schools—particularly magnet schools and other programs, where their children could move ahead in terms of their own education.

Obviously, one thing that is going to enter into this is the matter of competition between schools. Schools will have to tow the mark and excel in different areas if they are going to compete with the school down the road or across the country. And ultimately, if they do not meet this challenge, then I think those schools will be in trouble; some of them probably will close; and if they are not of quality, they should close. We really should not permit those kinds of schools to go on, because that is a disservice to all youngsters.

So therefore what we want to do is to make sure—and I come back to the point that I have made about access; I have talked about the expectations and the access and the accountability—that students have access to the very, very best. And one of the issues is how are we going to get them across town or move them in, whereas some of the parents cannot afford that. We need to look and to make sure that there is provision for those kinds of things.

But the first standard that we must have is the quality of the school. If it does not meet the competition, if it is not of high quality, it should not remain open. I think that is the essence of choice itself, the kind of thing you build into it.

Senator **Kassebaum**. Is there a district that has had a voucher system in operation for a long enough period of time to be able to make any judgments about it? Minnesota, I know, is just beginning to put a program permitting choice in place.

Mr. **Kolb**. I think there are a number of examples that are out there at work now, and we have been asked by the President to follow that and to report on exactly what is going on——

Secretary **Cavazos**. But specifically on vouchers, though.

Mr. **Kolb**. I do not know.

Secretary **Cavazos**. I do not know of one, but certainly, the Minnesota program seems to be really moving ahead very, very well. There is one opening up now in the Boston area, and the idea is starting to move across the Nation. The President has asked us to follow that very closely, and we are doing so. I do not know of one that is utilizing vouchers, though.

Senator **Kassebaum**. There was something you said in your opening comments about which I could not agree with you more, and that is seeing teachers as professionals. I think this is very important to quality education.

I have long believed teachers have not been given the recognition in our society, along with doctors and lawyers, that should be given. When we look at many other countries, as a matter of fact, we see that their teachers do have great status. In Japan, teachers ae held in higher professional regard than lawyers. I think we need to do that.

You mentioned working in partnership with the States in this area, and I wonder what you envision in this regard.

Secretary **Cavazos**. First of all, to the issue of the professionalization of the teaching profession, as I call it, to really make program in that area, I think there are several things that need to be done. We first need to reward the excellence of teachers where we can really identify them and help them out, that help coming from the Federal Government but also at the State level and that other part.

The second piece is fair compensation, to truly pay them according to their responsibility. They have a grave responsibility. They are professionals. So we would like to see that done.

Certainly, one of the other aspects that gets into the whole issue is the quality of the teacher itself; there is the accountability aspect of that issue.

So we are working with the States now, through our FIRST program and some other innovative kinds of things, to say what is the best format in terms of helping these teachers. I also mentioned alternative certification.

So I think we need to constantly remind the general public of the teaching profession, that it is a noble and fine profession. They need to be compensated, and that they are also going to be accountable for the kind of quality they produce. And we will work with the States to bring that about, to really move that to the fore-front.

Senator **Kassebaum**. There are some other things that I would like to explore, but my time is up.

Thank you, Mr. Secretary.

Secretary **Cavazos**. Thank you, Senator.

The CHAIRMAN. Mr. Secretary, in light of the Senator's request, as I understand there was a Department of Education-funded voucher experiment in the Seventies in California, and perhaps you might have someone in the Department get a review of that or an evaluation and make it available to Senator Kassebaum and the members of the committee.

Secretary CAVAZOS. We certainly will.

The CHAIRMAN. Senator Cochran?

Senator COCHRAN. Mr. Chairman, with your permission, I will yield my time to Senator Coats, who was here before I was.

The CHAIRMAN. Senator Coats?

## OPENING STATEMENT OF SENATOR COATS

Senator COATS. Thank you.

Mr. Secretary, you presented what I thought was a very impressive statement. I read your statement, and underlined and starred a bunch of things. Sometimes I wonder if I like statements because they say what I agree with—though I do try to be objective. I was impressed with your thoughts and I look forward to your service as our new Secretary of Education and to working with you.

I wanted to take this opportunity to acquaint you with some education initiatives that I have proposed in the House and hope to work on here—not that they are the ultimate answer to the educational problems that we face, but I think they draw on some innovative and creative efforts that have been undertaken in some of our communities and States.

I noticed with interest your interest in reaching out to various low programs, trying to identify what is working, and then using the Federal Government as a basis for spreading the good news, so to speak, to other school districts.

We attempted to do that on the Children, Youth, and Families Committee over in the House, realizing that there were a lot of things going on in the country that were meritorious and deserved further examination. We looked into some of those programs and tried to evaluate the ones which were most effective. We then tried to come up with a program whereby we could, through some Federal seed money, demonstration grants, referral centers, just simply using the Federal Government as a spokesperson so to speak, advocating, and getting people to take a look at these programs, spread that good news. I introduced a number of those initiatives under a title called the American Family Act—if the substance of the 21 bills in the Act is half as good as the title, we may have some success with that.

One of those initiatives was drawn on a program initiated in Missouri under then Governor—now Senator—Kitt Bond and also picked up in Minnesota, called "Parents as Teachers". I was particularly interested in your statement where you identified—and I think our Nation is identifying—the very critical role of parents in the educational process. The early involvement parents in the whole aspect of understanding the value of education, of transmitting that value to their children and working with them as partners, so to speak, of serving as a model, is proven to be critical to the success of a child and child's involvement in education. Involving those parents at a very, very early age generally results in involvement of the parents throughout the educational process of the child and transmits a very important message to the children.

Are you familiar with the Parents as Teachers Program, have you had a chance to examine it, and does your Department have any thoughts about advocating other districts and schools using this?

Secretary **Cavazos**. I have talked a number of times in my public statements about the Missouri program where they bring professionals in early on to start working with the parents—this is when the children are still two years old or so. They teach them, certainly, parenting skills, but they also teach them how you start educating these children at the very, very early stage—kind of what I have talked about, the learning cycle.

Now, they have found that that this is a very successful program and that, as they have followed these students, they do better, regardless of ethnicity, regardless of socioeconomic condition, that they perform better than those who have not been in that kind of a system.

So therefore I think that is one of the models we need to look at, and hopefully, we can see some more States moving in that direction.

Part of our job, Senator, as you point out so eloquently, is that we must call attention, telling the other States that here is a program that works, and you must start thinking about that kind of approach. Or, as we move into rewarding excellence, that if you move in these different directions, good things will come about.

I see that as a responsibility of this Department, to identify those programs that have that potential, and we keep coming back to it. I am so pleased that, as I move about this Nation, we are finally coming back to the cycle now and saying parents must be involved. And that is why I said if we talk about the teacher being a professional in education, the parent is also a professional in education, with all of the loving care they bring to that child as well.

So you are going to hear quite a bit more, I think, about parental involvement out of our Department.

Senator **Coats**. I am pleased to hear that. I think the successful programs have shown that where parents have an investment in the decision as to where their children go to school, again those parents become more involved, and the children become more involved, and it is not just simply an assignment that this is where your children will go to school, but you have made an active decision. Sometimes this means some sacrifice in terms of time, in getting your child to that school in the morning and home in the afternoon, and travelling greater distances. It is not necessarily always as convenient. But that very critical involvement in even making the choice of the school your child goes to results in the parents wanting to make sure that that choice is a good one, so they invest their time and effort and energy into the process.

The other point I wanted to discuss with you was that in developing our package, the American Family Act, we tried to identify what we thought were some important underlying principles. We have evaluated programs on the basis of whether or not they addressed some of these principles, which were basically three.

One, we asked the question do the programs strengthen families? Do they involve the family? Do they reach out to the family, to the parents? Do they not divide or erode the family structure or the involvement of the family in the process, but rather do they strengthen families?

Secondly, do they promote character? Is there some value basis to the program? And I think on this second point, there have been a number of programs, some of which I am sure you are familiar with—the Institute for Character Education, based in San Antonio, has developed some basic materials which I think are often disseminated through the Jefferson Institute in California; Baltimore has a program that is receiving national publicity; and St. Louis and Dade County also have variations of this. Governor Cuomo and Governor Kean have initiated programs in New York and New Jersey.

I am not advocating a national program. I do not think it is appropriate for us to sit down and say these are the kinds of values and character education programs that ought to be in place in our various communities. Those are going to differ all across the spectrum. What might work in Fort Wayne, Indiana may not work in Miami, and what might work in Baltimore might not work in Indianapolis and so forth.

What are your thoughts about encouraging schools and systems to look at developing character education programs as part of their curriculum? And what role do you see this playing in the whole effort that you are looking at?

Secretary Cavazos. I think it is an important role, and as I have mentioned in my testimony as well, those values and things that we think are an important part of character and the development of character. When young people come to school in addition to learning certainly the academic side, it is really an education for life and how one lives within a society itself and relates to that society. So I think it is important that they do that.

At the same time, I would come back to another point that I would like make, and that is I come back to the parents being involved in those kinds of discussions with the teachers. I would like to see more and more of the teachers and parents coming together to make decisions about what are we teaching, how are we going to handle these things. If we are going to make them accountable for it, let us give them the responsibility for what they are teaching and the decisions they are going to make. So we should encourage those things.

In fact, in a number of talks that I have given about education and in the area of character and the development of values, perhaps it is a little old-fashioned, but I keep coming back to the term "virtue". I talk about "virtue" as doing what is right, and reminding people that it has three components—it has justice and courage and temperance—and that those three things, if you think about so many of the problems we face in society today, in temperance, drugs and alcohol and these other kinds of things; justice, obviously, we want for everyone; and courage, to learn and to move ahead and to be a part of that.

So I will continue to advocate character education, sir, and to also work with the States to develop approaches that will fit best within the local community. I do not think it would be appropriate for me to say we need to teach this—but to think about that; it is an important part of what we do.

Senator COATS. Thank you. My time is up, Mr. Secretary. I am glad you are here, and I look forward to working with you.

Secretary CAVAZOS. Thank you very much, Senator Coats.

The CHAIRMAN. Senator Cochran?

## OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. Thank you very much, Mr. Chairman.

Mr. Secretary, welcome to the committee.

Secretary CAVAZOS. Thank you, Senator.

Senator COCHRAN. Let me congratulate you on the statement that you presented to the committee this morning. I think you have really identified the appropriate role for the Federal Government in the area of education, particularly in targeting the resources that we have to the places where they are needed the most. We are talking about disadvantaged children, the handicapped, minorities, those who are having a difficult time catching up educationally and economically in our society. I think that is a very appropriate goal for us to work on this year.

I know in my State of Mississippi, about 95,000 students benefit from the Chapter I program, and it is working. The achievement scores in math and reading and other basic educational disciplines are up. We are very proud of that, and we hope that the Federal Government and your Department particularly will continue to be sensitive to the needs for additional assistance. We must concentrate additional effort and expertise to try to bring these students up to an appropriate level of skill and understanding and appreciation.

I am also interested in the Merit Schools Program. I do not know the details, but it sounds as though it is a good program. Could you tell us a little bit more about how you are specifically going to get the involvement of the private sector, businesses and others in trying to help improve the quality of the schools?

Secretary CAVAZOS. We certainly think the Merit School Program in many ways could be the flagship of where we are going in this endeavor, to reward excellence in terms of what schools do and in a way to be a stimulus to other schools to perform better in these areas. One could, for example, set certain criteria as to how to measure merit in schools. If, during a period of time, for example, they are able to decrease dropouts from a baseline, if they are able to—not just do the same thing and do it well—but to do a better job in terms of elevating test scores. There are a variety of things that I am sure educators can develop in terms of quantitative methods for measuring merit and rewarding those schools in a significant fashion with funds that would be used within that school for extending the merit even further. And I think on top of that, the national recognition that a Merit School receives is a help.

So we have been asked by the White House to develop that idea more, and we are working with them on putting this program together. But those are some of the examples of the things I think we can quantify to move schools ahead. You reduce dropout rates, you increase literacy, you have so many students go on to higher education, to a university, you have successful students go through vocational-technical programs as they move from one to the other—there are a variety of these types of things that can be done, and it is time that we do that.

Now, we should work as a partner, always as a partner, with the States and with the local groups to move this thing ahead.

If I may for a moment, Senator, just also touch on Chapter I—and I certainly very much appreciate your comments about that. We are deeply committed to Chapter I in our Department, and in our proposal—I believe we have a 52 percent increase in concentration grants, those parts of Chapter I where there are some heavily-impacted areas that need more help. We had to make some tough decisions about our dollars, so we tried to move them into those areas where we thought they could help, exactly down the line that you are proposing, Senator.

Senator COCHRAN. Well, I think those are good decisions, and I applaud you for them. Those are dollars well-spent. I can remember growing up in Mississippi, in a schoolteacher family—both of my parents are retired educators; as a matter of fact, I have a grandmother, too, who taught for 50 years in the public school system of Mississippi as well. So I feel very close to those who are involved in education, and I feel that I understand the problems they face every day. I think one of the biggest rewards from teaching is to see the progress and the success of students who maybe started school without the benefit of family role models or situations that you would normally expect to produce a bright, successful student, but to see other parents and teachers work with those children to help motivate them and make them be everything they can be, like the Army advertises, is really a great joy and a sense of true satisfaction for those in the teaching profession and in education.

This helps them because it gives them some additional tools to work with to achieve those goals. So I think it is a very important program, and I am glad to hear that you are interested in pushing it forward and in making it even more successful in the future.

I have no other questions, Mr. Chairman, but I do intend to stay around, and some others may come to me as we go forward here.

Thank you very much.

The CHAIRMAN. Senator Thurmond?

## OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Secretary, I want to take this opportunity to join with others in welcoming you here this morning.

I understand that you have made a good impression in the work that you are doing at the Department of Education. I have heard many nice remarks about you, and I wish you well.

I was a teacher for six years and a superintendent of education for four years, and there is no one more interested in education than I am, it is the hope of our Nation.

I want to make this point, however, that under the Constitution, education is a field reserved to the States; it is their chief responsibility. We must not let the States get out of that responsibility. The Federal Government does not have the funds to operate the school systems as a Nation; the States must do it chiefly.

There are certain programs the Federal Government can assist in, and I assume that it is those that you are going to emphasize and do all you can to help with.

I, am very interested in the high school dropout problem, for instance, and I am interested in special courses in math and science, which I felt that we need from a survival standpoint in conjunction with defense and other things.

I would like to know, what in your opinion is the key to the present dropout situation, and what do you see as the role of the Federal Government in connection with that?

Secretary **Cavazos**. First of all, I agree entirely with what you have said, sir, in terms of the responsibility of the States; that is where it must rest, and we are getting guidance and direction in what works.

In terms of the dropout problem itself, I think that there is no one key. In other words, we have to do a variety of things, working with the States. For example, we can fund programs with our limited dollars back into the States, demonstration models to show how you keep youngsters in school—one, whether you start with the early childhood kinds of proposals have been talking about here in this committee, or how you work with students as they progress a little further down the line and make sure that they stay in school; counseling, guidance, parental involvement—all of these must be a part of the solution, and we must raise the expectations of the children in terms of where they are going to go.

Let me give you an example. Recently, it has been made very, very clear to me that if we raise expectations of children—if we tell them you can achieve this, or this should be your goal, or what-have-you—that they will tend to meet that expectation. For example, in one high school I know about, they had a very high dropout rate and the achievement was not terribly good, and they came in and said, well, we will help you go on to college, or we will find ways for you to go through—this is a local initiative. And it quadrupled the number of students who were doing well within that system, raising expectations.

I think the other thing we need to do is to make sure that the local people understand the seriousness of the national dropout issue. People say, well, that is an obvious thing. Well, if it is so obvious, why do we continue to see the numbers go on and on? We are getting worse and worse in this area. So we have to initiate those programs and give local educators some examples of the kinds of things that work to keep kids in school. And we will do that, Senator, but you are so correct, it has to be at the local initiative, and we will work with them.

Senator **Thurmond**. Another thing I would like to mention is that whatever we can do to help the minorities, within our Constitutional provisions, I think we should to try to do it. For instance, I mentioned to you some time ago, a black college in my State, that is about to lose its accreditation because it does not have a physical education building; and if it does, loose its accreditation, that will probably close the institution. I have taken this up with the Chairman, and he was very helpful last year; we got a bill through the Senate and the House. However, the Conference did not agree on it. I think as much we need to reassess our assistance to minorities and try to help them all that we can.

Secretary CAVAZOS. Yes, sir.

Senator THURMOND. Thank you.

The CHAIRMAN. Thank you very much.

Mr. Secretary, I am going to submit some other questions. We tried yesterday with Secretary Dole to review the demography of the future to determine what skills will be necessary in order to supply American enterprise with the kind of individuals who are going to be able to fit the needed skills of the future. We had hoped to be able to develop that theme a little more today, because I think it is going to require coordination between of your Department and her Department, working together to really deal with this issue.

Secretary CAVAZOS. Very much so.

The CHAIRMAN. I think for the first time, given where we are going, we can free ourselves from unemployment and hopefully provide some opportunities for people who have been left out and left behind, whether it is the handicapped, or inner-city, or people who live in rural America. It is that combination, that point which was brought out during the Labor Department study on the labor force in the year 2000 that we want to focus on, and to try and raise these skills. It is, in sense, a shared responsibility between you and the Secretary of Labor, and we want to try and look at our overall responsibility as part of the Legislative Branch in the committee to see what the various elements are that are going to permit us to respond to our Nation's needs in the year 2000.

So I will submit some other written questions. We want to welcome you, Mr. Secretary, to the committee. He has indicated an interest in remaining through the course of our hearing. In the 26 years I have been in the Senate, this is a first, and I think it is a further indication of the Secretary's interest in the whole issue, and it is indeed a compliment, most importantly, I feel, to him and to the Department for indicating that interest. So we want to welcome you very much, and if you would be good enough, we would ask you to come up here and join us.

Secretary CAVAZOS. Senator, I would be very comfortable sitting right back over here.

Thank you very much.

The CHAIRMAN. Thank you. Fine.

Secretary CAVAZOS. In closing, Mr. Chairman and members of the committee, I want to thank every one of you for this opportunity to share our views with everyone as to where we are going in the Nation, and I promise you I will work with you very closely. I am so pleased that we have an education President who wants to move ahead in this arena; I think we can make a lot of progress.

The CHAIRMAN. Thank you very much.

Our second witness is Governor Booth Gardner from the State of Washington.

Booth, it is good to see you again. I meant to come over and welcome you personally, but I want to say what a pleasure it is to have you here. You have done an extraordinary job in the areas of early education in the State of Washington, and it is really becoming one of the recognized models that indicate early education can have an important impact in terms of many of the concerns that we have—dropout, drug abuse, and the rest of these issues.

I know you had to alter your schedule to join us today, so you are here, I know, at very considerable inconvenience, but we are delighted to have you here both professionally and personally, and we look forward to your testimony.

## STATEMENT OF HON. BOOTH GARDNER, GOVERNOR, STATE OF WASHINGTON

Governor Gardner. Thank you very much, Senator Kennedy and members of the committee.

I appreciate the opportunity to share my views with you today about the important issue with which we are all concerned.

Today's children represent tomorrow's future, and what we need in this country is a new partnership between the Federal, State and local governments and our communities to set a national direction that places education, youth service and early childhood education and development as a high priority.

We need this new partnership to invest in programming helping young children, especially children at risk. The proposed Smart Start program which this committee is considering appears to offer great hope that such partnership soon may be forged.

You are to be commended on the focus of this proposal, Senator Kennedy. It has focus on parent involvement. It has focus on expanding and upgrading existing early childhood education programs. It has focus on flexibility. It has focus on leveraging State and local funds to increase availability of services to our young children. And it has focus that makes it clear that education, including early childhood education, is a State responsibility, but is a Federal concern and a local function. This is exactly the kind of focus and partnership that I believe we are required to pursue to ensure the success of our joint ventures.

Let me talk about Smart Start as it relates to early childhood education in our particular State. We stepped up to this issue in 1985 and funded at the State level an early childhood education program. We started out serving very few children; this year, we are serving over 2,000 children; next year, we will be up over 4,000 children. We have an identified need of children at risk, at severe risk, of around the 26–30,000 range. So you can see that we are barely touching our obligation.

Smart Start will help us reach our goal more quickly. Our early childhood education program does some of the obvious and then goes beyond that. It provides children the educational services, such as emotional, cognitive, social and physical development skills, and prepares children and their families for the transition to kindergarten. It also provides health services in that we identify and correct the problems of medical and dental care.

It provides social services, because we deal particularly with the issue of literacy. When we find parents who need help, then we reach out into those families and pursue that issue of literacy training and general education degrees and job training for the parents.

We also teach parenting skills through this program.

We operate in over 60 communities throughout the State of Washington, and our theme is that we believe that children who can do for themselves will do for their communities when they reach adulthood. This is our particular vision in our State and it is a vision that can and will form an effective partnership with Smart Start.

Early childhood is clearly one of the most crucial periods in the development of the entire lifespan. How a child develops during the critical period will have long-term consequences. We have watched dramatic shifts in the undergirding of our society and our family structure and our ability to compete in the new global society and in our educational system, which is straining to meet the needs of dysfunctional families and children. We risk losing our entire generation because our investments have been too small and too sporadic.

That is why I believe now is the time to reverse those trends and to set a national direction that places education and early childhood development as a priority investment. It is, in my opinion, the most cost-effective means of prevention.

While I have your attention, Mr. Chairman, I would like to touch on two other points.

I would like to express my support for a new range of initiatives which are coming forward to encourage and increase participation by young people in community services. This was mentioned in the questioning that came from your committee members.

We have addressed this issue in our State in a small way but we have for lack of a better term what we call the Governor's School, which is a month-long school in which 100 high school juniors from throughout the State participate in a month-long program which builds in them a commitment and understanding of the needs and joys of helping others. They learn community service; they have a variety of functions that they perform during that month program, and then they have a year's commitment to their communities, developing food banks, tutoring in schools, working with illiterates, the whole range of subjects that you have mentioned in some of the questions you posed to the Secretary.

Another issue that I would like to raise is that I would like to urge consideration that in all current and future Federal initiatives in the area of education, that more flexibility in regulation be achieved so we can allow our teachers and schools to be more creative and innovative in serving the needs of children. We need to shift the focus to results rather than regulation. We need to look at outcome-based education instead of input-based education. We need to ensure that our children get the best from our teachers, and that means that we trust them and put our faith in the teachers' abilities to do the job.

We have in the State of Washington designed a program, again for lack of a better name, that we call Schools for the 21st Century.

We now have 20 schools and 2 school districts involved in this program, in which we waive the rules and regulations that inhibit schools from doing what they might otherwise like to do, and in return, from them we receive a program of objectives they are going to try to achieve that we can measure by at the end of the trial period. But we are taking risk and allowing the professionals in the field, working with the parents and the community, to design the programs that they think best fit the needs of the children in those particular communities.

I have included in part of my written statement to the committee members discussion of this particular program if you have further interest in pursuing that.

Thank you, Mr. Chairman and members of the committee.

[The prepared statement of Governor Gardner (with an attachment) follows:]

# Testimony of Gov. Booth Gardner
Senate Committee on Labor and Human Services
January 27, 1989

Chairman Kennedy and Members of the Committee:

Thank you for the opportunity to share my views today about an important issue confronting all of us.

Today's children represent tomorrow's future.

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We need this new partnership to invest in programs helping young children, especially children at risk.

The proposed Smart Start program, which this committee is considering, appears to offer great hope that such a partnership will soon be forged.

Senator Kennedy is to be commended for the focus on this proposal.

It has a focus on parent involvement.

It has a focus on expanding and upgrading existing early childhood programs.

It has a focus on flexibility.

It has a focus on leveraging state and local funds to increase availability of services to our young children.

And it has a focus that makes it clear that education -- including early childhood education --

is a state responsibility,

is a federal concern, and

is a local function.

This is exactly the kind of focus and partnership that I believe, as Governor, is required to ensure the success of our joint efforts.

And I am pleased that you are talking to the governors of our states as you develop these new programs. Because that is also a crucial step that is required to ensure success of our joint efforts.

Smart Start will coordinate quickly and effectively with the efforts we have begun in the State of Washington to address the needs of our young children at risk.

In 1985, I asked our Legislature to invest in Washington's future. They responded and we created a state-funded, but community-based and locally-run program called the Early Childhood Education and Assistance Program.

We now serve over 2,000 children each year. We expect to increase that to 4,000 by next year. And we plan on a continued and sustained expansion until all our children who need our help, get our help.

Smart Start will help us reach that goal much quicker.

Our Early Childhood Education and Assistance Program promotes preschoolers' development through a comprehensive program that involves the family and includes four major components:

EDUCATIONAL SERVICES -- provides for children's emotional, cognitive, social, and physical development and prepares children and their families for the transition to kindergarten.

HEALTH SERVICES -- provides medical and dental care to identify and correct problems that could prevent children from achieving their full academic potential.

SOCIAL SERVICES -- supports children's and families' dignity and self-esteem, including literacy training, general education degrees and job training.

PARENT PARTICIPATION -- teaches parenting skills and involves parents in their child's education.

ECEAP is implemented by a variety of local agencies in over 60 community sites around our state.

Each program needs community support from both the private and public sector to help this effort keep its promise.

We ask local communities to take ownership in the welfare of their young children because we believe children that can do for themselves, will do for their communities when they reach adulthood.

This is our vision of the future.

And that is a vision that can and will form an effective partnership with Smart Start.

Early childhood is clearly one of the most crucial periods of development in the entire life span. How a child develops during this critical period will have long-term consequences.

We have watched dramatic shifts in the under-girding of our society.

In our family structure, in our ability to compete in a new global economy, and in our education system, which is straining to meet the needs of dysfunctional families and children.

We a losing an entire generation because our investments have been too small and sporatic.

That is why I believe that now is the time to reverse those trends and to set a national direction that places education and early childhood development as a priority investment.

It is the most cost-effective means of prevention.

I would like to make two final points, Mr. Chairman.

First, I would like to express my support for a new range of initiatives which are coming forward to encourage and increase participation by young people in community service.

While it is important that we help our children now -- because they are our future -- when they become young men and women they need to begin to repay society by offering of themselves their service to others.

In our state, we have many examples of youth who are serving others. We have a program called the Governor's School, which is run by the Washington Leadership Institute, which takes high school juniors for a month in the summer and builds in them a commitment and understanding of the needs and joys of helping others. And the results have been spectacular.

This is another area, Mr. Chairman, where a new partnership between federal, state, and local governments and our communities can and should be forged.

And finally, I would urge consideration that in all current and future federal initiatives in the area of education that more flexibility in regulations be achieved so as to allow our teachers and schools to be creative and innovative in serving the needs of kids.

We need to shift the focus to results rather than regulation.

We need to shift the focus from inputs to outcomes.

We need to insure that our children get the best from our teachers, and that means we must trust them and put our faith in their ability to do the job.

We have begun a six-year school restructuring project in our state called the Schools for the 21st Century, which makes such trust a reality. Our education reform efforts are based on the premise that teachers are more talented, creative and committed than we have allowed them to be. Where others might stress greater control, increased testing or teacher-proof curricula, we have chosen to invest in people.

Education is the key to both quality of life for individuals and economic development for our state and nation. We believe the best education system can be developed by freeing people to pursue their passion for teaching and learning.

I have included as part of my written statement to the Committee a discussion of our Schools for the 21st Century.

Thank you Mr. Chairman and members of the Committee.

# WASHINGTON'S APPROACH TO SCHOOL REFORM

TESTIMONY TO THE
U.S. SENATE LABOR & HUMAN RESOURCES COMMITTEE
SENATOR EDWARD KENNEDY, CHAIR

BY THE HONORABLE BOOTH GARDNER
GOVERNOR OF THE STATE OF WASHINGTON

January 27, 1989

## INTRODUCTION

As our nation approaches the 1990's, we face issues unprecedented in our history, both economic and quality of life issues so fundamental to our national identity that our responses will determine the strength and character of our country well into the 21st century. Among the key issues, the issues to be addressed are quality of life for all Americans and our role in the swiftly developing world economy.

Addressing these two areas is vital to the future well being of our society because we have led the world in our commitment to education and advancement of all citizens. While we have constantly struggled to achieve basic rights and access to those rights for everyone, we have also led the world in providing education for all through the high school level, and by working to assure equal opportunity in the workplace, and indeed throughout society. While no one would argue that America has been perfectly successful in achieving these goals, we have been noteworthy in our commitment to pursue them at all costs.

In 1989, the very goals and aspirations of our society are at risk due to a combination of factors and conditions both within our society and worldwide. In our country, the socioeconomic and class differences among citizens which have been so difficult to change threaten to create a "two-class" society in the 1990's, with a burgeoning "underclass" which is chronically under-educated, unemployed, and so disaffected that they live out their lives captive to social welfare and correctional systems over which they have no control. Further, demographers tell us that this underclass is likely to grow in the near future. Without heroic interventions, we can expect the "quality of life" gap to grow between the "haves" and the "have nots." Unless we are willing to change our very character as a nation dedicated to advancement of all citizens, we cannot let this trend continue unabated.

As we struggle to address these major issues regarding the well-being of our citizenry, we must also face new realities relating to our place in the world economy. The Task Force on the Teaching Profession of the Carnegie Forum on Education and the Economy has described very well the changing nature of the world economy and the challenges we face in defining our role in it. Briefly put, if we want to maintain a prominent niche as a producer of goods for the world, we must be prepared to compete with other countries who produce those goods cheaply by paying substandard wages and requiring 60-80 hour work weeks. Given that, we will not be willing to return to such working and living conditions. For a large segment of our society, future production techniques to keep competitive will require fewer people in low paying production jobs and more mechanized forms of production. The future work force will need to be broadly educated, technologically literate, and capable of lifelong learning and complex problem solving. Further, those who are not prepared for such a demanding workplace will be even further removed from the mainstream of societal opportunities than they are today, and will most probably be a part of the "underclass" I described earlier.

If in fact the future well-being of our society is dependent on our addressing these issues successfully, how do we proceed? Obviously, any program to deal with such complex, multi-facted problems must involve all segments of society. We must mobilize government, private industry, private citizens, and a variety of public service agencies and institutions to renew our commitment to the basic goals of American society, and to reorient our economic, social and educational efforts.

Key to all of our responses to these challenges is the system of public education in the United States. Education has historically been a key to personal well-being and advancement in the United States, and it will continue to be in the 21st century. Obviously, it would be unfair to ask the public schools to bear the full burden of solving the problems just described, but it would be equally naive to assume that progress can be made without a fundamental commitment to improving the educational system for all of our children. We have made that commitment in Washington.

## EARLY CHILDHOOD EDUCATION

In 1985 we asked the Legislature to invest in Washington's future. They responded and we created a state funded, but community based and locally run, program called The Early Childhood Education and Assistance Program.

We now serve over 2,000 children each year, expect to reach 4,000 by next year, and plan on a continued substantial increase each biennium until all our children at risk are provided services.

ECEAP promotes preschoolers' development through a comprehensive program that involves the family and includes these four components:

Educational Services -- provides for children's emotional, cognitive, social, and physical development; prepares children and their families for the transition to kindergarten.

Health Services -- provides medical and dental care to identify and correct problems that could prevent children from achieving their full academic potential.

Social Services -- supports children's and families' dignity and self-esteem; helps parents access community resources, including literacy training, general education degrees, and job training.

Parental Participation -- teaches parenting skills, involves parents in their child's education.

The program is implemented by a variety of local agencies in 62 community sites around the state. Each program needs community support from both the private and public sector to help ECEAP keep its promise.

ECEAP asks local communities to take ownership in the welfare of their young children. Children that "can do" for themselves, "will do" for their communities when they reach adulthood. That's ECEAP's vision of the future.

## SCHOOLS FOR THE 21ST CENTURY

If education is a key to the future success of Washington and its citizens, how can we assure that it will meet the challenge of the next decade, indeed of the next century? The national education reform movement of the 1980's demonstrates that there are many possible answers to this question. One answer is to further regulate the education profession -- developing new graduation requirements, mandating new and expanded testing systems for students and teachers, and increasing the negative consequences of faring poorly on such tests. Other regulatory approaches to reform include increased standardization of the school curriculum, mandating a return to the "basics" of reading, computation and memorization of facts, and systematic teaching of a well defined body of information and facts which "every well educated American should know."

While there are many worthwhile goals in the preceding paragraph, they have all too often been translated into reform agendas designed to limit the creative efforts of professional educators, control their behavior, and create "uniform" processes and products in education. "Quality control" of educational products has been sought using prescriptive methods which are out of vogue in modern industry. The fact is, if we want students to develop as creative problem solvers, they must be taught by teachers who have the opportunity, ability and encouragement to display these same traits. Highly regulatory approaches to education reform can be counterproductive if they encourage "compliance" thinking by educators. Federal, state and local regulations are designed to define minimum levels of performance, but if implemented in a bureaucratic manner, they will eventually become the maximum we expect of the system. Such has too often been the case in public education.

Based on the need to return creativity and local problem solving to the schools, as well as a basic commitment to the (often oppressed) creative potential of professional educators, I proposed to the state legislature in 1987 a bill to create Schools for the 21st Century in Washington. The legislation was designed to "enable educators and parents of selected schools or school districts to restructure certain school operations and to develop model school programs which will improve student performance." The program was based on the following assumptions:

1. All students can learn;

2. Schools are overregulated, resulting in a disincentive for creative thinking and innovative action by educators and parents;

3. Given the opportunity to innovate, educators will respond positively;

4. The current structure of virtually all schools dictates against truly professional behavior by educators, and restructuring of the workplace is essential to building effective schools of the future;

5. A key element which is essential for creative behavior and professional functioning, and which is missing in the lives of most teachers, is time; time to plan and interact with other educators apart from the day-to-day instructional demands of the classroom;

6. The basic purpose of all schooling is student learning. While current assessment instruments might be inadequate for measuring progress toward complex cognitive educational goals, all Schools for the 21st Century must commit themselves to evaluation of student progress.

It must be pointed out that the latter assumption does not distinguish selected schools from all other schools, but given the nature of their goals and activities, such evaluation will necessarily be more complex and less mechanical than existing student achievement testing programs.

The legislation called for an appointment by the Governor of a Task Force on Schools for the 21st Century, to "assist and cooperate with the State Board of Education in the development of the process, and review and selection of projects." Further, it called for applications from schools and school districts throughout the state, with up to 21 schools and/or districts to be chosen for designation for a six year period as Schools for the 21st Century. Application elements were deliberately stated in a general form, since the basic notion was for schools and school districts to define their vision and their plans for achieving that vision under the auspices of this program. Basic proposal elements involved description of district vision and implementation plans, commitments from all parties to work cooperatively to accomplish the desired ends (including necessary waivers of local rules and bargained agreements), budget plans, use of technical resources (in particular, collaboration with institutions of higher education and educational service districts was encouraged), evaluation and accountability procedures, and statements of support from all relevant parties in the school or district.

In addition to these basic elements, the legislation specified that all teachers and other professional and classified staff involved in implementation of the proposal were to be employed for a minimum of ten additional days each school year, and that proposals should identify state statutes or administrative rules which would need to be waived in order to assure success in implementation. With only a few specified exceptions, the legislation called for a waiver of such rules upon approval of the State Board of Education, as well as assistance from the state in seeking exceptions to federal regulations which limited the school or district in pursuing its vision. Further, the legislation included new state funding for the six year project period for the extended contract days and for portions of the technical assistance needed.

The bill was enacted into law in June, 1987, with the intention of identifying the 21 selected schools and districts to begin their work by the beginning of the 1988-89 school year. Thus began the process of restructuring schools in Washington to educate our young people to meet the challenging demands of life in the next century.

PROFESSIONAL TEACHER PREPARATION

While the Schools for the 21st Century program is the primary focus of this discussion, it is important to note that it was one of a two-part legislative package, with the second section focusing on improvement of teacher preparation. Recruitment and preparation of quality teachers and administrators is basic to the long term improvement of schools, and the investment in reform of teacher preparation in our colleges and universities must equal the investment in restructuring of schools. Further, the salary structure, career patterns and working conditions available to teachers must be conducive to recruiting and keeping our most able citizens in the education profession.

The Teaching as a Profession Act, adopted into law at the same time as Schools for the 21st Century, stresses the importance of teachers having a firm grounding in the academic disciplines they teach, and assures that after 1992, all teachers who qualify for the professional continuing teaching certificate will have earned a master's degree in either education or the arts, sciences and humanities. In addition, the act establishes the Master in Teaching degree as a new career entry pattern for individuals with undergraduate degrees in the arts and sciences who want to become teachers. This year we are proposing substantial financial and technical support for our universities to redesign their graduate teacher education programs to meet these new standards of quality and rigor.

IMPLEMENTING SCHOOLS FOR THE 21ST CENTURY

Once the legislation was enacted, the first task was to appoint the Task Force on Schools for the 21st Century. These were key appointments, since this group would largely shape the values surrounding the program. The Task Force was to consist of ten private citizens and four legislators. The ten citizen representatives consisted of three teachers, a principal, a superintendent, two deans of education, one from a state university and one from a private college, a state PTA officer, a representative of the business community and a former teacher who is a private educational consultant. More important than "constituent representation," however, was the fact that these individuals were known to be independent thinkers who were not afraid to take risks in their own lives. At the first meeting of the group, I stressed that they were chosen not because of what they are (i.e., their professional roles), but of who they are and the orientation they bring to problem situations. Their job was (and is) to be good thinkers and problem solvers, not to "represent" a particular constituency. This orientation has characterized all of the task force deliberations.

The first several meetings of the task force were pivotal, since it was in these meetings that the legislation and its intentions came alive. Their first job was to bring to life the values which were to guide implementation of the program. These values evolved as a result of extended discussions not only of the legislation itself, but also of the nature and needs of education in Washington. All of these discussions were held in meetings open to the public, with opportunities for input from any citizens who wanted to attend.

These early Task Force meetings resembled educational seminars, with discussion ranging broadly across many issues. Always, however, the focus eventually returned to what principles were essential in implementation of this program. Examples of concepts which resulted from these discussions are:

1. Instructions to schools and districts preparing proposals should be kept as general as possible, encompassing only those elements specified in the original legislation. Neither format nor content should be overspecified, since the focus is on local development of vision and plan, not conformance to state-developed proposal guidelines.

2. Schools and districts should be given maximum flexibility in determining the format in which proposals are prepared. It was not assumed that all proposals would

be in traditional paper format, and in fact, several schools used multi-media presentations to augment the print proposal. Task force members would resist any inclination to tell schools "how to do it" or "what we really want."

3. There was to be no predetermination of specific proposal evaluation criteria or weighting to be given to various factors. The task force would use its collective professional judgment in determining the most promising proposals to be recommended for approval.

4. The schools and districts selected are not considered to be conducting "experimental projects." Rather, they are being allowed and encouraged to engage in a broad range of new activities aimed at fundamental restructuring of the school as a place for work and learning, in effect to become "living laboratories" for a six year period.

5. Schools and districts should be encouraged to take risks, with value placed on creating an atmosphere of innovation. Success or failure of any particular aspect of the process is less important than creation of a climate or change and risk-taking in the school.

6. The purpose of the entire endeavor is not to produce "model" project activities for export to other schools, but to encourage and support school-based innovation. The ultimate outcome should be greater latitude for all schools, not imposition of "successful" practices across the state.

7. The focus should not be on innovation for its own sake, but on innovation to increase student learning and teacher professionalism. The "student learning" focus of the legislation should be stressed constantly as the major purpose of school restructuring.

These are but a few of the agreements reached in the early Task Force meetings. While they might seem rather straightforward, several are in direct contrast to traditional approaches to school improvement. The Task Force was thus instrumental in setting the early tone and the [illegible] for the entire endeavor.

When the deadline had [illegible] for submission of proposals, 136 schools and school districts had risen to the challenge and requested approval as Schools for the 21st Century. This number was itself cause for celebration, since each proposal represented a commitment to fundamental change at some level. In fact, many schools which submitted proposals were emphatic that they would pursue their dream whether or not they were "officially" chosen.

The very fact of putting the program in place had made innovation more acceptable, and had "allowed" and encouraged schools to dare to be different.

Each member of the task force read and reviewed all 136 proposals submitted, and individual and group ranking processes were used to reduce the list to 31 finalists. Representatives of each of these 31 schools and districts were then invited to meet with the task force for an interview. Two full days were devoted to interviewing. The applicants were provided no guidelines on who to bring to the interview, and the participants ranged from a superintendent appearing alone to represent the district, to a room full of 75 people representing every segment of the school and community!

Following the interviews, the Task Force reached consensus on the 21 proposals to be recommended to the State Board of Education for approval. These 21, which were ultimately approved, and are now in the first stages of implementation, include nine elementary schools, six secondary schools and six school districts. The selected schools and districts are located in every part of the state, ranging from Colton, a small rural school district in the southeastern part of the state, to an elementary school and a consortium of 21 schools in the Seattle School District.

It is impossible to summarize, or even characterize, the many commitments to innovation in the selected schools and districts. Several focus directly on programs for "at risk" students, to raise the level of learning for those students least apt to benefit from their school experiences. Others involve the introduction of state of the art technology in the schools. Still, others stress global education, parental involvement in the schools, extended school year, multicultural education, early childhood education, restructuring of the school day, community involvement in the schools, and improved coordination of school and social services to families at risk. All selected schools and districts have multiple targets for improvement and a commitment to continuous evaluation and modification of plans and activities as necessary.

One aspect of the process which surprised many observers was the seemingly small number of waivers from state rules and statutes which were requested. Some have said that this is an indication that the negative impact of alleged overregulation of our schools is exaggerated, and that our laws and rules do not, in fact, serve as a deterrent to innovation. An alternative explanation, however, is that schools cannot be expected to know most of the rules which are troublesome until they encounter them in the natural course of events. This would lead one to expect requests for waiver throughout the life of projects, not only (or principally) at the time of application.

Washington's first 21 Schools for the 21st Century began their official activities in August. 1988. These schools are important not only for what they do, but for what they symbolize, and they are being afforded great respect and admiration. A special conference was held in October featuring nationally renowned speakers and an opportunity to interact with people from other selected schools. It is my observation that it will take time for many of the educators and parents involved to realize the complete range of freedom and opportunity for innovation which they have earned. This makes it imperative that frequent opportunities for interaction and expansion of ideas and possibilities be provided.

## THE FUTURE - WHAT COMES NEXT?

Thus far, we have taken the first steps in reforming and restructuring Washington's schools. While most of what has happened thus far is symbolic and "stage setting," we are committed for the long run. Future activities related to the Schools for the 21st Century program will be of three types: continued support and nurturing of the original 21 schools and districts; doubling of the number of sites involved; and systematic analysis of the entire range of statutes and regulations governing education in Washington, with an eye toward minimizing state rules and maximizing both opportunity for innovation and accountability for student learning in local schools.

With regard to the current Schools for the 21st Century, we must maintain the principles for change which have guided our efforts thus far. It would be naive to assume that the change process which has begun in these schools will be easy or straightforward. The six year approval process is a critical element, because fundamental restructuring of schools cannot be done quickly. We must assure that all elements of state government and the education community maintain a helpful, supportive posture toward the schools and value risk-taking even when it is uncomfortable to do so.

Our second thrust will begin in the 1989 legislative session, in which I have proposed that the number of Schools for the 21st Century be doubled. This will provide the opportunity for more schools and districts to describe and implement their visions for the schools of tomorrow. It will also be the occasion for a continuing statewide dialogue about the principles which must guide school improvement in Washington.

Ultimately, of course, every school must be a School for the 21st Century. To accept less is to admit that some schools will not serve the needs of students, and will be a party to producing young adults who are unprepared for the demands of life in the next century. WE intend to contribute to the redefinition of schooling and the restructuring of schools by modifying the statutory and regulatory base to allow and encourage creativity. The Task Force on Schools for the 21st Century is undertaking a complete analysis of our state rules and laws, and will recommend which ones can be eliminated without adverse effect on quality of education or violation of students' rights.

The importance of reducing state and federal regulation of schools goes beyond the elimination of particularly troublesome, limiting, and sometimes archaic requirements. The complexity of current state and federal rules and laws, even if they were all deemed important creates such a stifling effect that teachers and administrators focus more on compliance than on schooling -- as a society, seeking the highest quality in all their efforts. A regulatory focus in any service delivery system results in undue attention to minimum standards, rather than maximum quality. In effect, our schools are being "ruled" in a way designed to control the least effective educators, whereas the overriding need is to provide support, encouragement and freedom to those who are most effective and most creative. We intend to do all that is possible to create such a system of education in Washington.

Education reform efforts in our state are based on the premise that educators are more talented, creative and committed than we have allowed them to be. Where others might stress greater control, increased testing or "teacher-proof" curricula, we have chosen to invest in people. Education is the key to both quality of life for individuals and economic development for our state. We intend to create the best education system in the country by freeing people to pursue their passion for teaching and learning, by assuring that our system for teacher education and continuing professional development is rigorous and relevant to the needs of modern teachers, and by creating a professional career pattern and reward structure designed to make teaching attractive to our most able and committed citizens.

The CHAIRMAN. I am sure there will be interest in that as well as your program to involve the juniors in that month-long program. Hopefully, you will be kind enough to give us additional information on that. It is extremely interesting.

Let me ask you this. Has the business community been involved in the development of this program in terms of early childhood education?

Governor GARDNER. Yes. They have been extremely supportive of this issue. When I assumed the responsibilities I currently hold, my message to the community was if we did not do the job educationally, everything else we were doing would pale by comparison, and that to do the job effectively, we had to concentrate on the front end.

So the business community and the community at-large has been supportive both of early childhood education—a project we call Even Start, which is the program where we identify children that are lackadaisical in school, wearing the same clothing for a week at a time, have lice in their hair, all of those symptoms that you can identify. Then we literally go into the homes, identify the parents, meet with them, work with them and get them into programs that are either job training or literacy programs.

These programs have been supported very significantly by the community and have helped us get legislation passed.

The CHAIRMAN. Do you have any suggestions as to how we get the business community involved in the support of this program at the national level?

Governor GARDNER. Yes. I think it is going to be very easy to solicit the support of the Governors. Education, as Senator Thurmond said before he left, is a responsibility of the States but a concern of the Federal Government, and you have expressed that concern very well. I would be glad to carry that message, as would others in my responsibility, to the Governors' Association, but I think speaking with the opportunity we have as a bully pulpit, to take that message forth, that we can be very strong advocates for this program.

Senator Kennedy, very candidly, this program builds on many fine State programs.

The CHAIRMAN. How do you answer the argument that if the States are already doing it, why should we bother?

Governor GARDNER. I mentioned in my testimony, Senator Kennedy, that we are now lucky to be addressing 4,000 students out of an identified 30,000 children from ages two to five being in severe need of this program. We are not even touching those that most of us might on a rational basis consider also to have need for this program. I think it will be very easy to ask for this type of partnership.

The CHAIRMAN. You use a variety of delivery systems. How has this worked in the State of Washington? You work through Head Start, through the educational system, you have a lot of flexibility. We have included that concept in our proposal, and there are some who think it should be targeted more toward particular delivery systems. You have a variety of them. How has that worked?

Governor GARDNER. It has worked extremely well. We went to the stakeholders. We went to the teachers association, we went to the PTA, we went to the administrators in the schools, the superintendents. And we all agreed that a menu programming that was targeted at dealing with specific issues would give us a much better focus on what works and what does not. We decided it was time to take some risk, recognizing full well that when you take some risk you make some mistakes. But the issue of education is so critically important to this country today that we had to do it on a broad menu of programming.

The CHAIRMAN. Have you evaluated the program in terms of——

Governor GARDNER. We have not evaluated it yet because most of what I have talked to you about is in is very formative stage. But we have and are prepared to pursue a longitudinal study on the programs which we have.

The CHAIRMAN. Finally, could you tell us a little bit about your Governor's School Program?

Governor GARDNER. It is a program that is privately funded primarily by the business community, supported by what we call the Washington Institute for Community Service. It is held at one of the universities in the City of Seattle. We promote it throughout the State. We work with the principals, write letters, call. We are looking not just for traditional students, but we are looking for mavericks who have leadership capability, and we get a fair number of those. It is intensively staffed by teachers who contribute their time—they are paid, but they could do much better if they were looking for other types of jobs in the summertime—and they carry these students through a wide range of activities both in and outside the school building that we use, including going down and identifying and working in community service projects, interviewing street people, interviewing public employees. They get a wide range of challenges which they are there to pursue and that have a great deal of intention.

The CHAIRMAN. Let me ask you about these programs in early education—I know this was one of your initiatives going back to 1985—has this, to your own knowledge, been accepted and supported by the parents as well as the communities?

Governor GARDNER. Yes, it has. We have no resistance to increasing this program. Frankly, our constraints are not just monetary; they are how well we can expand the program and do it on a quality basis.

The CHAIRMAN. Senator Pell?

Senator PELL. Thank you, Mr. Chairman.

Governor, as you know, the Federal share of education has gone down from about 9 percent to 6 percent, currently. I think I am correct in saying that presently 20 percent of the share of money for higher education for student aid comes from the Federal Government, and 5 or 6 percent is the Federal share for elementary and secondary education. These have been radically reduced over the last eight years. How has that affected the programs in your States? Have you been able to compensate for it in your State?

Governor GARDNER. We have had no choice, Senator. We have an obligation to educate. Because the percentage of funding has always been relatively small, we have basically been self-sufficient. But what is intriguing to us is an opportunity to have a partnership on a program such as this, which will merge with the programs which we are currently pursuing in a way which will allow some expansion and perfection of the opportunity. It would be nice to have more money in that regard. We have made do with what we have, I think, creatively, because I think in these days you have to think creatively and not always traditionally.

Senator PELL. Do you feel that in the last eight years that the investment you have made in education has declined, been static, or increased?

Governor GARDNER. It has basically been static in the State of Washington. What we have had to do is reprioritize, and what we have said to ourselves, as was mentioned by the Secretary, is that if we can do the job in the formative years—and that begins almost at the prenatal period—and make sure a child can get through the third or fourth grade competitively, then there is a significant chance they will survive the balance of their school education and be constructive citizens.

Senator PELL. I think we all need, as you have just pointed out, to recognize the importance of investing in early childhood education. There are two current programs, Chapter I and Head Start, serving the preschool population. But both programs are only able to serve a small percentage of the children eligible for these services. And as we look into the possibility of new initiatives, should we be looking at ways to protect and expand the current programs prior to taking new initiatives? What would be your view?

Governor GARDNER. No. My view is that the new initiatives are compatible and need to be pursued, because they provide greater opportunity to deal with a broader range of problems which have been identified such as the social problems, the health problems and the nutrition problems, which initially at the formation of Head Start were not as focused as was just the educational issue.

Secondly, for better or for worse, in the issue of Head Start, it has been around long enough that it has begun to build some bureaucracy into it and has lost some of its flexibility, and I think a program such as Smart Start, which merges with the State early childhood education programs, will shake that a little bit and allow us to be creative and flexible in dealing with the changing economies out there with which we have to compete.

And on the issue of Title I, there is a situation where, when I spoke of the issue of flexibility and opportunity to deal with the issue of regulations, we need to address that, because some of these programs which I have discussed, such as Schools for the 21st Century, where we are allowing schools to take the programming that is there and remodel it to meet the needs o those communities, have to have the flexibility to do so. And when they have to take a certain number of students and treat them a certain way because of Federal regulations which were right at the time of the inception of the program, but which may no longer be pertinent, that means you take a block of students, they are rigid, and you lose your flexibility in dealing with the rest.

I think what we have found is that a variety of programs, creatively administered, with measurements, is the way to proceed.

Senator PELL. Thank you very much, Governor, for being with us and for your courtesy in your answers.

Governor GARDNER. Thank you, Senator Pell.

The **Chairman**. Senator Kassebaum?

Senator **Kassebaum**. Governor Gardner, I think you point out very well why education thrives best at the State and local level. It is due to Governors such as you who, with support in the State, are willing to try new initiatives to address problems and to enhance the educational system and opportunities in your State.

I would like to pursue for just a moment some of the questions that Senator Pell asked regarding Head Start and how it fits in with Smart Start. You say they complement each other, or because, basically, they both have the same goals.

Governor **Gardner**. The goals are relatively the same. First of all, we are not serving nearly the number of children who have been identified as at-risk children from low-income circumstances. So early childhood and Smart Start first off allows States to expand their capabilities to serve an identified populations currently being unserved, and those are your most at-risk students with the highest incidence of dropout in later years. So just from the standpoint of providing greater service, that is extremely important.

Secondly, Head Start when it was originally implemented was more focused—not totally, but more focused—simply on the educational component. But we have learned since that we have to deal with the issues of health, nutrition, parenting, and those types of supplementary situations.

Senator **Kassebaum**. Head Start has changed a bit, I think, in that regard.

Governor **Gardner**. Yes.

Senator **Kassebaum**. Now, you fund Smart Start through corporate contributions; is that right?

Governor **Gardner**. No. Early childhood education, we fund through State general fund; some private, but very small.

Senator **Kassebaum**. Would it be envisioned that, if we enacted Federal legislation, this effort would be taken over and supported by Federal funds?

Governor **Gardner**. No. It would be matched. I think my understanding was that a program such as is being proposed would be a matching program, and I believe that is as it should be, and that it should be supplementing an existing system.

Senator **Kassebaum**. When you go into a community, some children, I assume, are in Head Start. Do you then pick up others who should be in the other program?

Governor **Gardner**. Yes, that is correct—but also, many of the communities which we were able to access with our early childhood education program did not have Head Start programs for one reason or another.

Senator **Kassebaum**. Like Senator Pell, I wonder whether we should improve and expand what we have in place, or if something else is needed that could complement it. I think that is what we will have to explore.

I would like to go for just a moment to the community service concept, and you mentioned an innovative program. I have long believed that service is something that should be undertaken in the community rather than as a national program. I believe that high schools should require their senior classes before graduation to give an hour a week in community service, or something along those lines. Many high schools do that now. It is not always mandated; it can be voluntary. I think even a mandated program helps students to understand the needs of their communities, whether it is repairing and painting older homes, helping senior citizens, or tutoring. It is in one's own community where one gains understanding and builds ties. As evidently is happening in your program, one also learns where Government fits in and sees the relationship between community needs and governmental assistance.

Governor **Gardner**. We have legislation now currently before the Legislature to follow on what Senator Pell was saying earlier, which will allow credit for tutoring for students who come back into the system and wish to help out at the middle school or elementary school level if they are high school students and/or college students who wish to come back. We are even going to provide some funding so that we can make sure that the supervision of that is sufficient.

Senator **Kassebaum**. Do any of your high schools make it a requirement to do community service before graduation?

Governor **Gardner**. It is voluntary at the local level, but not mandated, no. But it is an ethic that has to be developed.

Senator **Kassebaum**. Yes, and it takes a lot work on the part of the community, as well as teachers, to work it in——

Governor **Gardner**. That is correct. When we started the Governor's School, we reached out and brought 100 juniors in. We have had three summers of that now. The next step, and the one we are moving to now, is to continue the 100 juniors and try to expand on that, although 100 seems to be a great number to work with, but during the course of the year, have subdivisions, if you will, out in various communities, so some of the students who have now been through this program can work within their schools and schools in the community to expand the opportunity and work with students and give them the opportunity to serve.

Senator **Kassebaum**. Thank you very much, Governor Gardner.

The **Chairman**. Governor, just to get back to Head Start, as I understand it, the greatest emphasis has been on social services. Some of them have an educational component. There is one program in Boston that uses the High Line curriculum of the Perry Preschool Program. But I have two questions.

In our Smart Start program, we can either use it through the Head Start—we have a lot of flexibility and a variety of delivery services, so it could be through the Head Start program—or, you have some areas, as Senator Pell pointed out, communities where, even though you have children who are eligible, we still do not have the resources to provide that; and by a variety of different services, using education services or other types of delivery services, we may be able to have some impact with an education component, which I think is part of the attraction of this program. And, as you pointed out, we are attempting to leverage the States to move, and encourage them to move in this direction.

But the more basic question is, How are you able to deal with the Head Start community? Quite frankly, have you been able to convince them this is not really a replacement for Head Start?

Governor **Gardner**. Yes. If I could just go back to the issue that we are not beginning to scratch the surface of those who need that type of service. So they were, frankly, quite supportive of our effort to get this passed legislatively.

The **Chairman**. Well, that is interesting, and that would be what I would consider the normal reaction. I think in some communities there is some indication that we are trying to substitute Head Start. But I think all of us believe, as I think Secretary Dole pointed out, that it is this combination of different services that can really effectively, hopefully, jump-start these kids into the whole educational system.

Isn't that our objective?

Governor **Gardner**. That is how we feel, yes.

The **Chairman**. Okay. Well, I want to thank you. You have gone to considerable trouble to be here, and I hope you will keep us abreast as you find out more about your own program. We will be enormously interested in it.

Thank you very much for taking the time to be here.

Governor **Gardner**. Thank you, Senator.

The **Chairman**. Our third panel includes Bettye Caldwell, Ernest Boyer and Joseph Fernandez, if they would be good enough to come up.

Dr. Caldwell is Professor of Education at the University of Arkansas at Little Rock, and is also Director of the University's Children Center. She served as President of the National Association of the Education of Young Children and on the Governing Board of the Society for Research in Child Development. We are glad that she is here.

Our second witness is Ernie Boyer, President of the Carnegie Foundation for the Advancement of Teaching, a familiar face to the Labor Committee. Prior to serving as President of the Carnegie Foundation for the Advancement of Teaching, Mr. Boyer was U.S. Commissioner of Education, and before that, he was Chancellor of the State University of New York, the largest university in the country; Senior Fellow of the Woodrow Wilson School of Princeton University; and education columnist for the London Times. Under Dr. Boyer's guidance, the Carnegie Foundation has become the most influential foundation in the Nation. His recent books, "High School" and "College", have helped shape much of the recent debate about American education. Today, he will tell us about the Foundation's most recent publication, "The Condition of Teaching", the third survey of this issue that he has directed in the 1980's.

Our final witness is Joseph Fernandez, Superintendent of Dade County Schools, the fourth-largest school district in the United States. Dr. Fernandez has worked in the Dade County public schools for 25 years. He will discuss recent reports written by The Council of Great City Schools and the Institute for Educational Leadership that describe some of the challenges urban school districts face in recruiting and keeping high-quality teachers. He will also discuss the extensive program Dade County is employing to address these challenges.

Dr. Caldwell?

## STATEMENT OF DR. BETTYE CALDWELL, PROFESSOR OF EDUCATION, UNIVERSITY OF ARKANSAS, LITTLE ROCK, AR; DR. ERNEST BOYER, PRESIDENT, CARNEGIE FOUNDATION FOR THE ADVANCEMENT OF TEACHING, PRINCETON, NJ; AND DR. JOSEPH FERNANDEZ, SUPERINTENDENT, DADE COUNTY SCHOOLS, ON BEHALF OF THE COUNCIL OF GREAT CITY SCHOOLS, MIAMI, FL

Dr. **Caldwell**. Thank you, Mr. Chairman and members of the committee. It is a pleasure to be here and to have heard the presentations so far.

I have a longer statement that I am submitting, and I will try to be brief. I have entitled my remarks: "Needed: A Comprehensive Early Childhood Program for America's Children". Actually, I have felt this need for probably 25 years now, and it seems to me that the time is ripe for beginning to develop one. There are at least two reasons for this.

The first reason is that over the past quarter-century, we have accumulated a great deal of information pointing to the value of early intervention programs for the intellectual, social, emotional development of the children as a protection against many of the ills of society and so on. We now have an impressive array of such studies to which we can point with pride.

The second reason, though, that we need this system so desperately is that during the same quarter-century when those studies have been done, America's families have been changing and changing dramatically. We now have more working mothers, more single-parent families, and we now have to face the fact that the early years of life, which our data show are critical, have to receive a great deal of very careful attention, and we have to develop programs that can serve these children if they are not to be deprived of vital and essential growth-fostering experiences. So that we have data now, and we clearly have the need, and it is essential that we move forward.

Now, in view of these twin conditions, it seems that it ought now to be possible to design a system of early childhood programs which can meet the needs, hopefully, of all children, not just select groups; but I would certainly like to go on record as saying that I feel that the needs of the disadvantaged should always have priority as funding patterns are set.

I offer in my remarks some five suggestions or recommendations that I think we need to keep in mind in developing such a system.

The first recommendation is that early childhood programs have got to be integrative and have got to be comprehensive. Several of the other speakers have referred to that in some form or another. We cannot at all compartmentalize little children; it is hard enough to do it with those of us who are adults. But the little child who is hungry cannot learn; the child who is not loved is not interested in extra stimulation and so on. We must deal with them as total human beings.

Now, I think that what we have tended to do historically is develop service patterns that are for one or another aspect of what we see as important components of the development of a child. In particular, in the early childhood field, we have had two major service programs that have developed. They both have long and distinguished histories, and they both have long and sad histories in some way.

One of these services, we have tended to call "daycare". In earlier generations, they were called "day nurseries"; sometimes today, it is called "child care". But if you look at the historical and informative literature about what these services were supposed to be, they were essentially for parents, they were for working mothers, mothers who were ill or had some kind of social pathology that kept them from caring for their children. They have a long history of minimal and inadequate funding, and throughout much of their existence, society referred to them as "custodial" or "institutional" care.

On the other hand, we had a system that we called "early childhood education". It does not go back as far as the day nurseries in America, but this has been an area full of intellectual excitement, if you will, and many great ideas that bear fruit in the data from the Perry project and other studies like that have come from this field. But it has been described as being for children, basically middle-class children, mainly for social and emotional development, if you will, although parents have noted that their children have received a great deal of impressive cognitive stimulation in these programs, and have wanted them.

One of the things that has been interesting to me during my years in the field has been how hard people have tried to make the case that these are two separate services and have denied that early childhood education is not daycare, and daycare, on the other hand, is not real education. That is a fallacy, and continuing to advocate it and maintain it has been a deterrent to the development of a comprehensive early childhood program in this country.

I think that one of the things we need to do is change the vocabulary, and I have introduced a term—Dr. Boyer has heard me say this—I am calling these programs "educare"—and if you do not want to use that label, I hope that in the design of legislation to support them, you will think that way, because there is no way to educate a young child without also providing care and protection. And you certainly cannot provide adequate care and protection without offering education. To try and do otherwise would be seriously to handicap the children and not to help them.

So we have to have integrative and comprehensive services.

A second thing that this system needs, it seems to me, is that any new programs should network with existing services. We have already heard this morning about Head Start, about a variety of State programs, Chapter I programs, Title XX programs, and so on. They are out there. We do not have to start a new program from scratch, but I do think we need to abandon this sort of patchwork mentality that we have had and do some strategic planning—to use the term that is popular in business now—in order to avoid competition and unnecessary duplication.

In this context, Senator, one of the reasons I am very enthusiastic about Senate Bill 123 is that it does allow for coordination between the programs which it will fund and existing programs such as Head Start and programs already in operation in the public schools. And I especially like the fact that it really talks about "educare" because the funds can be used for extended day programs and summer programs.

If we create early childhood programs that do not offer those services, they will not meet the needs of America's families, and they will not be popular, and they will not be successful. We have to do that.

In this context of talking about cooperation, though, I would like to say—and I hope that the Secretary will make note of this—that I am a strong advocate of more early education programs in our public schools. Now, many of the people who represent the establishment in my field for some reason are opposed to that, on some of the terms that we have heard here this morning. They are worried about what has already happened in schools, and they say, well, we certainly do not want to give them our young children, do you.

I ran for 10 years in Little Rock, Arkansas an example of the sort of comprehensive and integrative program that we need. We accepted children as young as six months, and the school operated up through the sixth grade. In other words, it was a combination early childhood/elementary complex. It was set up to allow the gains such as those shown in the Perry project not to wash out or fade away if the children moved away from a creative early childhood program into a primary school that was not set up to help sustain those gains. But quite apart from this continuity, it ran year-around—not 180 days—it was open from 6:45 in the morning until 6:15 in the afternoon. Different staff covered different hours. And in other words, we tried simply to design a program that would meet the needs of children all day, not overstress them, not overwork them, give them plenty of recreation, but that at the same time would serve the needs of their families and allow their parents to go to school, to work and so on.

So I am very strongly in favor of having new programs such as Smart Start work closely with the public school system in order to facilitate this kind of truly comprehensive and integrative program.

My third recommendation is one—and I am delighted to have heard others touch on this this morning—a system of early childhood programs must include children who are younger than three, four and five. Now, as 123 moves down, as it should, down one notch on the chronological age scale from where we have the largest number of early childhood programs, namely, kindergartens for five-year-olds, four-year-olds clearly need to be served. But if you take those data on that chart, they do not come from studies on five-year-olds; they really came from studies on three- and four-year-olds. And the child development theory that led to the development of those programs talks about the importance of early experience during the first three years of life, not necessarily during the second three years of life.

So it is very important to realize that we have to have programs for very young children as well as four- and five-year-olds.

Now, Secretary Cavazos mentioned the importance of that, and Senator Kennedy, the comprehensive child development programs that you initiated and submitted will indeed do this. They allow for the development of programs for children one through five which are comprehensive, as I have already referred to.

If you take the demographics that I referred to in my introduction, the sharpest rise in the incidence of working mothers is not in mothers of threes, fours and fives; it is in mothers of children under three. In 1950, only 12 percent of mothers who had children younger than three were in the work force. Today, that figure is estimated to be 52 percent, and by the end of the century, just a little more than 10 years away, it is probably going to be 65 to 70 percent.

So we have to have concern for these very young children. Historically in this country we acted as though we should not do it because basically we did not advocate it. And I think we used the "ostrich" approach: If we did not develop programs and did not advocate them and fund them, they would go away. They do not go way. Rather, mothers and fathers tend to use programs which are of poor quality, which are unmonitored and unregulated, and which are simply not good for the children.

My fourth recommendation is obviously that programs have got to be of high quality. We have had a tendency to compromise all over the place in developing early childhood. There were some remarks earlier about whether the Washington State program and others would duplicate Head Start. The figures on the incidence of eligible children served by Head Start are roughly only 25 percent of the eligible children are in Head Start programs. We still have a desperate need for them. And sometimes program operators have wanted to compromise on quality simply to deal with these large numbers of children who tend still to be unserved.

But we now know what represents quality, and we all know and agree that the stakes are high, and that we have to stop compromising on that. And in anticipation of some of what Dr. Boyer might say and what the Secretary has said about teachers, teachers and their assistants in this field are the most poorly-paid people in virtually any kind of employment that you can think of, and you cannot have quality programs without quality adults who operate them; and you are not going to get and keep quality people until we offer more meaningful salaries for the people who provide this.

I also would like to endorse the idea of character—I am not going to say "education"—in early childhood, but character formation. That is a lot of what the programs are about—learning to care for on another, learning a sense of responsibility, learning to control your own impulses and realizing that other children want the same things you want and so on.

Also, early childhood programs make an excellent place for the use of this community service that has been talked about this morning.

My fifth point, I will be very brief on, because it is one that has been discussed, and we all endorse it. That is that early childhood programs must welcome and accommodate parent input. This is the most basic thing. We have learned a great deal about this over the past 25 years, but it has to be made explicit. We really have to refer to it. Senator Coats referred to this, the tremendous importance of early involvement. And I think we all recognize that one of the byproducts of it, the happy fallout of it is that as many parents are involved with programs for their young children—and they are less scared when their children are little; they are less afraid to tangle with a director of an early childhood program than they are with the school principal or the school superintendent—and in the process, they do learn how to empower themselves; they learn how to talk at meetings; they learn how to go to the school, and if they do not feel welcome immediately, to wait until they get seen, until they get heard and listened to.

There is much now to show that this kind of early involvement stays with the parents. They take it as their children go through the remainder of their school years and then, of course, many of them do begin to enroll themselves in educational programs, which is going to benefit those children, the adults themselves and our total society.

I would like to summarize with just a very brief comment about your bill. I think that Senate 123, with its provisions for children younger than five, with its mandates for comprehensive and integrative services, with its concern for parent involvement, with its ability to bring the public schools into a closer alliance with the "educare" establishment, with its mandated Federal and State fiscal collaboration, can indeed lead the way in the development of the comprehensive early childhood system we need and are at last ready for in America.

The CHAIRMAN. Thank you very much, Dr. Caldwell.

[The prepared statement of Dr. Caldwell follows:]

# NEEDED: A COMPREHENSIVE EARLY CHILDHOOD PROGRAM FOR AMERICA'S CHILDREN

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To one who has worked in early childhood for 25 years, the level of recognition and acceptance now accorded the field is gratifying indeed. In spite of an impressive accumulation of evidence of the importance of the first few years of life for the full realization of the human potential, the experiences of the early years have somehow not been taken quite seriously as deserving of the careful planning that we put into what are referred to as "the school years." Organized group programs for children during these early years are often referred to by the oxymoron "preschool." Furthermore, there has been resistance to the development of a national system of early childhood programs on the mistaken assumption that such programs somehow violate and subvert parental rights.

At this juncture in history, facts have refuted assumptions and evidence has superseded myth. We have an impressive knowledge base upon which to base programs and the public policy which supports them. We now know such things as the following:

. . . Poor children who participate in a quality early childhood program do indeed arrive at first grade with an opportunity for an "equal start," if not the "head start" promised by the title of the field's most famous program.

. . . The degree to which programs focus on language development is associated with favorable outcomes.

. . . Health and nutritional status are improved.

. . . Participating children have higher self-esteem and achievement motivation.

. . . Parents uniformly value the programs and find evidence of ways in which their children have benefitted.

. . . Children who participate in high quality programs are less likely to be placed in special education classes or to repeat a grade in school.

. . . There is some evidence that such programs reduce delinquency.

These are a few of the "facts" which have accumulated over the past 25 years. We have come a long way toward complete validation of the hypotheses formulated 24 years ago in the famous "White Paper" that led to the establishment of Head Start. That document suggested that the most meaningful way to ameliorate the educational and social problems often seen in older children from poverty backgrounds was to provide enrichment for them through the medium of a national early childhood program. In our enthusiasm, and in our own eagerness to prove our merits, we have sometimes promised too much. Whenever that happened, the field (and the children and families we represent) suffered. But now we have enough knowledge to be more realistic about our limitations as well as more optimistic about our contributions.

## Family Changes

Meanwhile, as these data have been accumulating from year to year, their relevance has been increasing from day to day by virtue of rapidly changing family demographics. In fact these changes have been so precipitous that figures are obsolete almost by the time they appear in print. Present estimates (just one year before a major census) are that roughly 60% of mothers with children younger than six are in the work force, with approximately 52% of mothers of children younger than three working outside the home. Furthermore, one child out of five is now born into a one-parent family (with that ratio being one out of two in some subgroups of the population). If these mothers are to escape the gridlock of poverty and dependence, if they are to be able to participate in training or actual employment, some sort of national program which gives careful attention to how and where their children spend their early years is essential.

Whatever these demographics might have to say to us about the numbers of children needing public policy attention, they certainly bespeak one important reality: the **norm** for how young children spend their early years has changed from what has been considered "traditional child rearing" in America. An interesting thing happens when a norm changes--attitudes subtly but significantly change. This has now happened throughout America. Parents--including those whose own parents might have worried about that early childhood experiences outside the home might be family-weakening--now acknowledge that such programs represent a vital family support.

Thus it seems to me that we now have two essential ingredients for planning a successful national system of early childhood programs: (1) an adequate knowledge base; and (2) public endorsement and support. Having reached this point, we are now ready to plan the kind of system we need. I should like to suggest five conditions that need to be met in the system we develop.

## Five Components of a National Early Childhood System

1. **The system should establish comprehensive programs.** Children are not easily fractionated at any age; when they are young, it simply cannot be done. Their development cannot easily be separated into neat compartments like health and nutrition, cognition, social and emotional development, motor development, and so on. They come all of a package. If they are hungry or

poorly nourished, they can't pay attention. If they are not given love and affection, they won't learn language. If they don't get enough rest, they won't have the energy to use the toys and equipment provided them. If their families and the people who design and operate group programs don't have the same objectives and values, they'll be so confused they won't know what to do and when to do it.

In spite of this need for comprehensive, integrative early childhood programs, we have tended to allow services to develop along different tracks which hopefully would never meet and which we even pretended were totally different. In particular, we have had one type of program which we called "early childhood education" which was: mainly for social development (but with a great deal of appropriate cognitive stimulation thrown in), available mainly to middle class children (because public funds were never allotted to such programs), operated generally for only a few hours each day, and had ample parent support and perhaps volunteer help from the children's non-employed mothers. Whatever else such programs might offer, they presumably provided developmentally appropriate **education** to the children.

On the other track, we had something that professional groups originally called "day nurseries" and which today we call either "day care" or "child care," depending on which term is currently in favor. If this type of service was offered in someone's home, the general public called it "baby sitting," no matter what sort of fancy label we tried to assign it. If it was offered in a small group setting, it was often libeled with a pejorative description such as "institutional care" or "custodial care." These programs were often described as established for **parents** (mainly mothers) with some sort of social pathology such as poverty, mental illness, or, believe it or not, maternal employment; they were not for the **children**. What they offered the children was presumably **care and protection**, not education, and these services were offered only to poor, not middle class, children.

The field of early childhood has long been burdened with a nomenclature that does a poor job of communicating just what its programs offer. One reason for this is that we have chosen to be identified by labels which describe only part of what we do. I am convinced that we need to coin a new term that will more accurately convey the meaning of the service we offer, and I have suggested the term: **educare**. Although we might like it to be otherwise, there is much in a name. This blended word, with a prefix representing one half of our identity and a suffix representing the other half (and no hyphen allowed), we should be able to make it clear that we stand for this comprehensive and integrative approach to services.

2. **Any new programs should network with existing services.** At present we have a patchwork of early childhood services, with none having adequate funding or covering enough territory to serve all the children by itself. Diversity of auspice is not bad in

and of itself. However, if it leads to turf-guarding and to accusations that one or another group is unfit to offer quality programs, then diversity can be inimical to progress.

One especially laudable feature of S 123 is that the funds which will become available through the legislation may be channeled through a variety of existing organizations. This is good, in that it will minimize delays that might otherwise be occasioned by the necessity to create and develop a new administrative structure through which a program could operate.

I am especially pleased to note that it is expected that public school districts would be eligible to become program sponsors. Although many people appear uneasy about such sponsorship, fearing that school personnel neither want such involvement nor have the qualities necessary to do a good job, I consider it the most advantageous arrangement possible for the development of a true systems approach to early childhood.

As evidence that it is workable, let me describe briefly Kramer School, an early childhood/elementary educare program which I had the privilege of developing in Little Rock, Arkansas some 20 years ago. In the first place, Kramer opened at 6:45 in the morning and remained open until 6:15 in the afternoon year round, in order to provide "care and protection" for the children who attended the school. (Remaining in school for some of the extended hours and during the summer was an option arranged individually according to family need.) The age range covered was from six months to 12 years. Thus at the end of the early childhood years it was possible to continue to offer child and family support services that facilitated developmental continuity and the sustaining of any gains that might have been induced during the early years. The school also had an active family service program and an affiliated health maintenance program.

In spite of the unique schedule and age range served, Kramer had to function within the framework of the policies set by the Board of Education of the Little Rock School District. That precluded research luxuries such as random assignment to the school and to some other designated control school. Furthermore, mobility of the low-income population served by the school was so great that extended follow-up of the children was not feasible. Thus findings from Kramer cannot be cited alongside the impressive data from other more rigorously conducted research. However, Kramer served as a crucible of reality in which it could be demonstrated that education and care can be merged, early and elementary education can establish meaningful linkages with one another, and parents can feel empowered to influence what goes on in the school. It is precisely because of my experience as principal of Kramer School that I look ahead with optimism to Smart Start affiliations with public education.

All of us await eagerly results from projects such as Giant Step, the program for four-year-olds in New York City. This project has been carefully designed so as to provide not only outcome evaluation data but vital information about the process of having pre-kindergarten children in public schools. From such efforts will come valuable cues as to how such programs can best be administered in order to achieve optimal benefits for the participating children.

One other comment about S 123 is pertinent here. That is its provision for full-day and full-year programs. Educare is coming increasingly to be understood as an economic as well as a human service issue. As reflected in the recent report, **Children In Need,** quality early childhood programs are absolutely essential if we are to prepare a more competent work force for our future. They are also needed to allow women to make their contribution to the work force of today. Early childhood programs which do not provide for extended day and summer coverage fall short of truly serving today's families. S 123's provisions in this area are commendable and exemplary.

3. **Programs for very young children must be included in the comprehensive system.** This recommendation is less relevant to the current legislation than it is to the need for us not to forget what I sometimes call "earlier child development." Certainly we must consider the needs of children from birth onwards if we are to have a comprehensive early childhood system. S 123 moves as it should--down one notch on the chronological age scale from where we have the largest number of early childhood programs (five-year olds). Four-year-olds clearly need to be included in publicly funded programs. At present this is true mainly for programs such as Head Start and Title XX that have clear income eligibility guidelines. Again, an exemplary component of S 123 is its provision for all children whose parents desire to enroll them in the service. with a sliding fee schedule which will allow all children to participate who meet the age guidelines.

In planning for a comprehensive system, we have to keep in mind that the sharpest increase in the incidence of working mothers is in the category of mothers with children younger than three. In 1950 only about 12% of such mothers were in the work force. Today there are slightly more than 50%. Demographers estimate that by the end of this century, probably 75% or more of children younger than three will have mothers who work part- or full-time. This means that we actually don't have a lot of time to get a machinery in process for providing appropriate early childhood experiences for very young children. If we avoid this process, this does not mean that the children will not be exposed to some type of alternate care. Rather it simply means that they will be placed in unmonitored and unregulated care.

4. **Programs must be of high quality.** I shall write little about this, as the language of S 123 makes explicit that programs funded under the provisions of the bill will respect indicators of quality such as trained personnel, a low adult:child ratio, small group size, and exemplary health and sanitation regimens. Certainly we cannot afford to create a system that will not have the potential to foster the development of the participating children.

The demographic changes of the last quarter of a century which have fueled a dramatic rise in demand for early childhood services have alarmed many people--and rightly so, for how its young children are reared is undoubtedly the touchstone of any society. However, these alarms have been based to some extent on false assumptions. They have assumed that all home environments for young children are warm and nurturant and supportive. Disturbing findings such as statistics on child abuse have opened our eyes to the fact that this is not always the case. Likewise, we have tended to assume that all alternate care situations are grim and depriving. This may well have been the case when heavy usage began to strain the system.

Now, things are changing for the better. All 50 states have licensing laws and regulations. We have research evidence of child outcomes associated with different levels of quality. The National Association for the Education of Young Children has developed an accreditation procedure which attempts to recognize and reward centers which go beyond minimal standards in their quest for quality. The National Institute of Child Health and Human Development has just launched a multi-site research project which will carefully monitor the social, emotional, and cognitive outcomes associated with infant child care. In short, we have in place a number of procedures which will help ensure that quality programs can occur. What is needed now is a level of funding that will not mandate compromise on important determinants of quality.

5. **Programs must welcome and accommodate parent input.** This point is so important and so basic that it could have been inferred as present in all the other recommendations. However, it needs always to be made explicit. And in the making of public policy, we need to be aware that parents are the strongest supporters of quality early childhood programs. They recognize that the educare provided their children through programs such as that proposed in Smart Start does not diminish the importance of their role as parents or mean that they are "turning their kids over to someone else to raise." Rather, young parents of today simply accept as a given the fact that such programs **supplement**, not supplant, what they as parents offer the child. They accept this, endorse it, and need it. And what is amazing to one of my generation, they do not even seem to agonize over it. Regardless of whether they know that they norm has changed, they are reasonably comfortable with it.

One of the most felicitous aspects of early childhood programs is that they give us an opportunity to get parents happily involved in the education of their children--an involvement which can then help sustain the subsequent educational careers of the children and possibly stimulate the parents themselves to engage in further educational endeavors. When this happens, the benefits fall out over the entire family and indirectly over us all.

In summary, S 123--with its provisions for children younger than five, with its mandates for comprehensive and integrative services, with its concern for parent involvement, with its ability to bring the public schools into a closer alliance with the educare establishment, with its mandated federal and state fiscal collaboration--can lead the way in the development of the comprehensive early childhood system we need and are ready for in America.

The **Chairman**. Dr. Boyer?

Dr. **Boyer**. Thank you, Mr. Chairman, for the opportunity to testify before this distinguished committee. Your work is vital to the Nation's future. And may I also extend my thanks to the Secretary of Education for the vision and the spirit with which he is leading us in education.

This morning I wish to talk about teaching in America, which was the second of your priorities in the introduction. The quality of education in this country can be no greater than the dignity we assign to teaching. And yet the harsh truth is that during the past half-dozen years while academic standards have been raised and while salaries have increased, morale among teachers has been going down.

Last year, the Carnegie Foundation surveyed thousands of teachers from coast-to-coast, and we were distressed to learn that only 23 percent said that since 1983 teacher morale had gotten better; 49 percent said it has gotten worse.

Recently, Carnegie in a larger survey—and I think perhaps the largest survey of public school teachers ever conducted in this country—polled 22,000 teachers, and what we learned was both disturbing and revealing.

Specifically, we found that well over half the Nation's teachers have less than one hour per day for preparation. Nearly 30 percent had 10 or more class preparations every week. Nearly 40 percent of today's teachers rate the security at their school only fair or poor, and the physical conditions below average.

Perhaps most significant is the sense of powerlessness among teachers. Ninety-three percent are not involved in selecting new teachers at their school. Ninety percent are not asked to participate in teacher evaluation. More than half of today's teachers are not even asked to participate in the crucial decision about which students should be tracked into special classes. And more than half of the teachers we surveyed said that respect for teachers in their community is worse than they expected.

Mr. Chairman, many teachers in our survey also noted with alarm the growing trend to expect schools to do what families and communities and churches have not been able to accomplish. Ninety percent report that lack of parental support is a problem at their school, and 56 percent expressed disappointment in the unwillingness of parents to be involved.

One teacher wrote that she had 22 students in her class this year, and only three parents had visited the class all year.

Also, we found that 89 percent of today's teachers say that abused and neglected children are problems at their school. Seventy percent report that poor health among students is a problem. And more than two-thirds of the teachers we surveyed identified undernourished children as a problem, which leads me to insert a growing conviction that we have, I think, not just a school problem but a family and young problem in this Nation, and unless we look at these as interlocked, it is impossible for the school to be an island of excellence in a sea of indifference. So I would strongly urge the connectedness between parenting and indeed the issue of youth service.

In fact, many of the teachers spoke about the sense of anonymity and apathy among their students—not just neglect, but a sense of drift. And it is for that reason, Senator Kassebaum, that in our 1983 report on high school, we proposed a new Carnegie unit, and we suggested that all students be asked to complete a community service term during their four years in college.

I should say for the record that our Foundation has the unhappy record of having invented the Carnegie unit 60 years ago which was an attempt to standardize academic study. I think it is about 135 hours of seat time, and then you get a Carnegie unit.

We suggested another kind of unit in which you get out of your seat and engage in service. That, to me, is urgently involved in what I think is the revitalization and renewal of the Nation's schools.

And I might say parenthetically, I think colleges have the same obligation to show the linkages between learning and the investment in the lives of others. That connection urgently should be made, and academic credit should be awarded for such service.

Mr. Chairman, I have more data in a report called "The Condition of Teaching", and I have attached some charts as well as the testimony of teachers in my full testimony.

Let me simply summarize here to say that the picture presented by the teachers is pretty bleak. In fact I must tell you it was darker than I expected. But there is some remarkably good news here. We found that with all of the indignities and frustrations, the vast majority of teachers we surveyed said they planned to stay in the profession; more than that, the vast majority say they are glad to be a teachers, and overwhelmingly they said that the rewards of this profession come, as we heard from a Senator earlier today, from seeing children's lives changed and the impact that that means because of service that they render.

But I must say this morning that I think we are living on borrowed time. I think we cannot impose excellence from above. And it is my conviction, Mr. Chairman, that in the next phase of school renewal, we must first work on the working conditions of the teachers and see that they have a sense of dignity and purpose; we must strengthen the partnership between the family and the schools, because the teachers cannot do it all alone; and third, we must focus on the growing needs of children especially in the early years.

If we could get those three priorities in place, most especially at the State and local levels, I am convinced we could build the best education in the world.

But may I conclude by saying a word about the Federal role and leave a suggestion or two for your consideration. It is my belief, as has been said this morning, that education is primarily a State and local obligation, but that does not excuse, in my judgment, the partnership at the Federal level, too. I have had a long conviction that the Federal Government has two primary obligations. One is to help achieve equity, which I think is a constitutional and moral obligation—thus Chapter I, thus handicapped, thus bilingual. And also, I think the Federal Government has an obligation to involve itself in emergencies when they arise. After all, if the Nation is at risk, I think the Nation should respond. And I propose a three-point strategy that focuses especially on what I think is the urgent crisis around teaching in this country.

The three-point program—and without being too cute, may I call it "the Three Rs"—first comes recognition. This Nation simply must celebrate the dignity of teaching. In this regard, President Bush and the Secretary have, I think, sent a powerful signal by meeting with teachers even before they officially began office. I suggest, if I might be so bold, that the President might build on this tradition by hosting a dinner in the White House for the 50 men and women designated by their States as "teachers of the year". After all, we give recognition to visiting dignitaries from abroad; why not give recognition to visiting dignitaries from classrooms in Kansas?

On this occasion, the President could invite teachers to discuss the inspiration of their work and to heighten the impact. The event might even be televised nationally, prime time.

Congress also could affirm the dignity of teaching by inviting teachers to share their experiences in a public forum such as this one. Teachers are isolated. They are rarely asked to speak about improving education even though they are the most knowledgeable and the most committed. I believe that holding a special congressional hearing exclusively for teachers would be instructive and inspirational.

These moves are symbolic, but the older I get the more I am convinced that we live by symbols. And to celebrate teaching in the Nation's Capitol would send a powerful message to every classroom in this country. Having a White House dinner is not sufficient, but it surely is a good beginning—I would come—I would have to get a job first. [Laughter.]

Dr. **Boyer**. Second, the Federal strategy should focus not only on recognition, but on renewal.

Thirty years ago, in response to Sputnik, President Eisenhower proposed the National Defense Education Act, a Federally-funded teacher enrichment program. What I find ironic, 30 years later, when I go around the country, I still meet teachers who are enthusiastic, almost reverential, of their NDEA fellowship when they went off to a university of their choice to be renewed. Even though a handful of teachers were involved, it sent signals to every teacher that they were the answer to the problem; they were the answer—the solution, not the problem.

I suggest, then, a 1989 version of Eisenhower's NDEA to focus on renewal. Teachers need time in libraries and in laboratories to be intellectually renewed. The Christa McAuliffe Teacher Fellowship Program is a wonderful step in the right direction. As I understand it, 500 teachers are now involved, one in every congressional district. I urge this program be extended.

Further, I think you might consider summer teacher institutes, controlled by teachers in each of the regions of the country. I think a model is the Yale-New Haven Institute which, as you know, Senator, enables teachers from New Haven to study with faculty based on a curriculum they themselves develop. Teachers have told me that they stayed in the New Haven public schools because of this institute, which enriches them and which they control.

I also suggest a Distinguished Teaching Fellows Program. Why not give an annual fellowship to a handful of master teachers in every State and allow them to move from school to school as master teachers, holding seminars with colleagues? Not only do you honor the great teachers but you enrich the ones in the classroom.

All of these programs, frankly, would be small change, but they would be powerful and enduring in terms of the status that we affirm to teaching.

Finally, to my third "R", I think we should give high priority to recruitment. I am much less concerned about the certification arrangements, and even the teacher preparation arrangements, unless we get good people in the pipeline to begin with. To rearrange and educate mediocrity is not the solution; it is attracting the most gifted into teaching.

In 1984, this Congress passed a scholarship program for gifted high school students who plan to enter teaching. These Paul C. Douglas Scholarships, I think, should be expanded—perhaps with extra support for those who plan to teach in urban schools or to educate the rural poor.

After all, we have a wonderful Peace Corps to send Americans overseas—which incidentally inspired, I think, every young generation in the last 30 years. Why not also attract the brightest and the best to teach in inner cities and in poverty areas here at home?

Martin Luther King said on one occasion, "Everyone could be great because everyone can serve." And I believe that to encourage service among this generation to work with other young people who are needy would provide a powerful inspiration for us all.

One final point. Recruiting future teachers, I think must begin with students while they are still in school, especially among those from minority populations, because in the future, the public schools will have a large number of black and Hispanic, and need not only good teachers; they need, frankly, models in the classroom.

So why not fund in selected regions of the country summer institutes for gifted junior and high school students who could have a week or two on a college campus, talking about what it means to be a teacher, and have someone say to them, "You are good enough to be a teacher."

Again, Mr. Chairman, the quality of education in this country can be no greater than the dignity we assign to teaching. I am convinced that focusing on the three Rs—the recognition of the teacher, the renewal of the teacher, and the recruitment of the teacher—we can strengthen the vitality of teaching and in the process we can ensure a better future for our children and for our Nation.

I might say that in addition to the charts and, incidentally, the actual transcriptions of the letters we got from teachers, on our survey of 22,000, we ask at the end, "Is there anything else you want to tell us"? Eleven thousand teachers took the time to answer. And we are going to publish these in a book in the next year called "Teachers Speak." And I can only say if every person in America would pause to read these comments, which have flowed from the intelligence and concern of teachers, I think they would know more about the nature of our problem and have a greater sense about solution than any other instruction they could have.

This full report of the survey that we just completed is available for the committee, as you wish.

Thank you, Mr. Chairman. I will respond to any questions you may have.

The **Chairman**. Excellent. We will include the report as part of the file.

[The prepared statement of Dr. Boyer follows:]

# THE CONDITION OF TEACHING

Testimony of
Ernest L. Boyer
President

The Carnegie Foundation for
the Advancement of Teaching

The Senate Committee on Labor and Human Resources
January 27, 1989

Thank you, Mr. Chairman, for the opportunity to testify before this distinguished committee. Your work is vital to the nation's future.

This morning, I wish to talk about teaching in America. Teachers are the key to effective schools. The quality of education can be no greater than the dignity we assign to teaching. And yet, the harsh truth is that, during the past half-dozen years, while academic standards have gone up and salaries have increased, morale among teachers has gone down.

Last year, The Carnegie Foundation for the Advancement of Teaching surveyed thousands of teachers from coast to coast to get their reaction to school reform. We were distressed to learn that only 23 percent said that, since 1983, teacher morale had gotten better; 49 percent said it had declined.

Recently, Carnegie--in a larger survey--polled 22,000 teachers across the nation, and what we learned about the working conditions of teachers was both revealing--and disturbing. Specifically, we found that:

- Three teachers in five have less than one hour a day for preparation.

- Twenty-eight percent report they have ten or more class preparations every week.

- Nearly four in ten teachers rate the security at their school as only "fair" or "poor."

- More than a third say the physical condition of their school is "fair" or "poor."

- One-fourth of today's teachers do not have study space of their own.

Perhaps most significant is the sense of powerlessness among teachers:

- Ninety-three percent are not involved in selecting new teachers at their school.

- Nine in ten are not asked to participate in teacher evaluation.

- Fifty-seven percent are not even asked to help plan their own in-service programs.

- Two-thirds are not involved in setting student promotion and retention policies at their school.

- Fifty-three percent are not consulted about student behavior.

- And more than half do not participate in the crucial decision about which students should be tracked into special classes.

We also found that more than half say respect for teachers in the community is worse that they expected, and more than one-third express disappointment about their opportunities for advancement.

Mr. Chairman, the evidence reveals that, with all the talk about school reform, the teaching profession in America remains troubled. And, while new academic regulations have been imposed on schools, the heart of the enterprise--the teachers--has been largely overlooked. Today, teachers are dispirited, confronting working conditions that leave them more responsible, but less empowered.

At the end of our survey, we asked teachers if they had anything else to say about their work. Half the teachers--11,000--responded to this invitation, and their comments added powerful, even poignant, insights into the problems teachers face.

Listen to the voices of two teachers:

> "I find myself continually biting my tongue and pounding my head against the wall. Public support and parental support as a whole seem to be at an all time low. Teachers are no longer held in high esteem. ... I worry about the future of education."

Another said:

> "We are overworked, underpaid, and sometimes treated as second-class citizens. Teachers do not get recognition for the good they do, but are the first to get the blame if a child has a problem in the school.... How sad that people do not value someone with such influence over their children's lives."

Teachers also are frustrated by the lack of support they receive from parents. And many noted, with alarm, the growing trend to expect schools to do what families, communities, and churches have been unable to accomplish.

In our survey:

- Nine teachers in ten report that the lack of parental support is a problem at their schools.
- Fifty-six percent expressed disappointment in parents' willingness to be involved.

One teacher wrote:

> "I'm sick and tired of seeing my bright first-graders fade into the shadows of apathy and trouble by age 10. They need parents who care and who appreciate. Teachers simply cannot do it all."

Another said:

> "My main concern with education today is the role and involvement of parents. In my school's community, both parents must work.... Out of twenty-two students, I have had three parents visit the class. Sad!"

Another problem is the concern teachers have about the well-being of their students. Large majorities of teachers find poverty, poor health, undernourishment, and neglect to be problems at their schools. They describe their students as "emotionally needy" and "starved for attention and affection." We found that:

- Eighty-nine percent of teachers say abused or neglected children are a problem at their school.
- Nearly seven teachers in ten report that poor health among students is a problem.
- More than two-thirds identify undernourished children as a problem.
- Nearly 90 percent of today's teachers say that student apathy is a problem.
- Eighty-three percent say absenteeism is a problem.

- Nearly nine in ten teachers say disruptive behavior in the classroom is a problem at their school.

And consider these written comments from teachers:

"I am not trained to be a counselor, but my third-graders have so many personal problems that interfere with learning that a lot of my time is taken up helping children and their parents cope. ... Children come to school sick because there is no one at home to care for them, so the teacher does it."

Another wrote:

"I am concerned by the growing numbers of young people who are socially desperate. They seem to hunger for close relationships. They seem impelled to receive or write a note, to leave class to comfort or be comforted by a friend. ... Many need more help than I can give."

* * *

Mr. Chairman, I'm troubled that teachers are so unimpressed by the reform actions taken since 1983.

Still, I'm encouraged that, with all of the indignities and frustrations, the vast majority of teachers remain committed to their careers--and to their students. Most teachers we surveyed said they plan to stay in the profession. Most express satisfaction with teaching. And, by a wide margin, teachers say their expectations have been met regarding their ability to help students learn.

But, frankly, we are living on borrowed time. In the push for quality in education, there is just so much that can be accomplished by directives from above. In the next phases of school renewal, the working conditions of teachers must improve, partnerships between the family and school must be strengthened, and we must focus increasingly on the growing needs of students.

I also am convinced that the federal government, even with a budget crisis, has an important role to play. After all, if the nation is at risk, the nation must respond, and I propose three strategies for your consideration.

First, recognition. This nation simply must celebrate the dignity of teaching and our most influential leaders must lead the way. In this regard, President George Bush has already sent a powerful signal to the nation by meeting with teachers even before he was sworn into office. "Education will be on my desk and on my mind right from the start every day," he told a group of teachers who assembled here last week for a day of special recognition.

I suggest that President Bush build on this commitment by hosting a dinner in the East Room of the White House for the fifty men and women designated by their states as Teachers of the Year. On this occasion, the President could invite teachers to discuss the inspiration of their work. To heighten the impact, the event could be televised nationally, prime time.

Mr. Chairman, Congress also could affirm the dignity of teaching by inviting several teachers to share their experiences in a public hearing such as this. Teachers are isolated and rarely are they asked to speak about improving education, even though they are the most knowledgeable and most committed. Holding a special Congressional hearing for teachers would be both informational and instructive to the nation.

These moves are symbolic, to be sure, but our priorities as a nation are reflected in our symbols. And I'm convinced that to celebrate teaching in the nation's capital would send a powerful signal of inspiration to every classroom across the country. It's not sufficient, but it surely is a good beginning.

Second, the federal strategy should focus, not only on recognition, but on renewal, too.

Thirty years ago, in response to Sputnik, President Dwight Eisenhower proposed the National Defense Education Act, a federally-funded teacher enrichment program. What I now suggest is a 1989 version of Eisenhower's NDEA to focus on the renewal of the teacher.

Specifically, I propose that the federal government provide fellowships to teachers in all fifty states. Teachers need opportunities to spend time in libraries, laboratories, with other teachers. The federal teacher fellowship program named in honor of Christa McAuliffe is a step in the right direction, and I urge that the program be expanded.

Further, summer teacher institutes--controlled by teachers--might be established in every region of the country. A model is the Yale-New Haven Institute, which enables teachers from the New Haven schools to study with senior members of the faculty at Yale during the summer, based on a curriculum teachers themselves have put in place. Teachers say the program has been a key factor in persuading them to stay in teaching.

Also, I suggest a Distinguished Teaching Fellows program in which several master teachers in every state would be awarded an annual fellowship so they could move from school to school, holding seminars with colleagues. All of these programs would be a powerful investment in renewing teachers who meet with children every day.

Finally, we should give high priority to recruitment. The quality of schooling in this country will stand or fall on our ability to attract into the classroom the brightest and the best.

In 1984, Congress passed a scholarship program for gifted high school students who plan to enter teaching. These Paul C. Douglas Scholarships should be expanded--with perhaps extra support for those who plan to teach in urban schools or educate the rural poor. After all, we have a Peace Corps to send Americans overseas, why not also attract the nation's most gifted students to teach in inner cities and poverty areas here at home?

One further point. Recruiting future teachers must begin with students still in school and especially among those from minority populations. Why not fund, in selected regions of the country, summer institutes for gifted high school students who are considering a career in teaching?

Mr. Chairman, the quality of American education can be no greater than the dignity we assign to teaching. The time has come for this nation to identify great teachers and give them the credit they deserve. And through recognition, renewal, and recruitment, I'm convinced we can strengthen the vitality of the nation and ensure a better future for all children.

The CHAIRMAN. We will hear from Dr. Fernandez now.

Dr. FERNANDEZ. Thank you, Mr. Chairman.

On behalf of The Council of the Great City Schools, I want to thank the committee for inviting us to participate. We have submitted to the committee members a document called "Teaching and Leading in the Great City Schools" along with our testimony.

I would like to focus on two areas in terms of improving the availability of teachers and how it impacts the large urban school district. And with my apology and your permission, I would like to focus in on my county to give you some examples. But basically, I want to talk about attracting teachers and retaining teachers.

All of us in large urban school districts have to leave our areas to go and recruit. There are just not enough teachers. Last year, for example, in the State of Florida we needed 9,000 new teachers to fill vacant positions due to people leaving and due to increase in student enrollment. Overall there were a little over 3,500 teachers, which mean that cities like Miami, Duvall County, Hillsborough, other areas, had to leave the State to go and recruit. And when we went to the recruiting fields, we found ourselves in competition with our colleagues from other urban areas. And it came down to who was going to be offering the better job, and what were the conditions under which you were going to try to get these teachers to come to your area.

We tried other things. As you all know, our pool is diminishing. In the past, females, which was a large source of teachers for us, is no longer there. They could be teachers or nurses; now there are a lot of other opportunities for females—thankfully so. In the University of Miami Law School, for example, there are more females registered there this year than there are males. In the University of Florida Business School, there are more students in the business school than there are in the school of education. So these are the kinds of things that we are facing.

We have attempted to create teaching magnets; we have two teaching magnets in the district. We have created a Future Educators of America Club in every junior high school and every senior high school in our district to try to encourage students to be interested in teaching. We have created compacts with the local universities to come up with creative programs to try to provide scholarships to students who might be interested in teaching.

And in fact you will be glad to know that we have signed agreements with the Peace Corps and even with the Department of the Army, as they return from their tours of duties, for those who are interested in teaching to come to the Miami area, and we will do an alternative training program with the local university for alternative certification, and try to get those people into the teaching profession.

But that by itself will not do it. The numbers just are not there.

We found out in our district that what we had to do was to do what Dr. Boyer was talking about and "professionalize the profession", if you will—make people feel that the teaching profession is the place to be.

One way that we went about it was empowering teachers; involving teachers in the decisionmaking; involving teachers at the local level in determining what the curriculum should be like; involving teachers in things like selecting other teachers who are going to be joining their faculties; involving them in the evaluation of the administrative staff; involving them in the selection of the administrative staff—just simple things like, when we are building new schools, in the design of schools. In the past, architects would tell us what the schools should look like. We never went to the users and asked them what should a school look like, what should a mathematics classroom look like, and where should it be located in the school. Those are the kinds of things that we felt we had to start doing if we were really going to treat teachers as professionals and get their input.

As a result of that, we created what we called school-based management shared decisionmaking schools, where teachers along with the administrative staff literally created cadres that made the decisions as to how they were going to expend the budget at the school, how they were going to make a difference to the school and the children who went to that school.

We felt every school had its own culture, every school had a different community it was serving, and their needs were different, and they should be in a better position to identify those needs than anyone else, and that if we could give them latitude with the budget as to how to get at identifying those problems and resolving those problems, we felt that we would have a better chance of professionalizing the profession.

Lo and behold, when we did that, it was just like we opened up a magic lamp, if you will. Everything started to happen. Where we previously had no pre-K for three- and four-year-olds, in our first year, six schools offered pre-K; today, we have pre-K in 107 schools—merely by redirecting the resources at their schools.

They expanded the school year. Sixty of my schools today have half-day Saturday school. That is an additional 90 days that the students in my district go to school. So those students in those schools have a 270-day school year.

If you couple that with our 30-day summer school session, we have some students who are going 300 days, which is more than any country in the world.

The CHAIRMAN. Excuse me. How have the parents reacted to the Saturday school?

Dr. FERNANDEZ. Very, very positive. In fact, we have many parents who have volunteered to come in and assist in the program as aides. I have lawyers acting as tutors from the business community. We have other students who are doing community service, going in and tutoring. It has just been very positive throughout the community.

The CHAIRMAN. I heard Senator Pell ask the question—and I do not want to interrupt your presentation—but Senator Pell asked the question about the extended school year. I think there is at least a sense out there among many people that conceptually, parents are for it, but when it is really proposed, there is a lot of resistance to it. Now, I do not know the extent to which that is accurate.

Dr. FERNANDEZ. I think that is partially true. We have found that when you mandate the extended school year where there is, say, one-quarter of the year—the premise for extending the school year primarily come for relieving schools of overcrowding and providing more space. It came for all the wrong reasons. And we have found that when you mandated that students had to be off a certain quarter which was not the summer quarter, that was when you met with resistance. But when you expand the school year for everybody, not just for the fact that you want to utilize the facility a little bit better in terms of capability, when you expand it by saying that all students are going to have a longer school year, the opposition from the community we have found to be nonexistent. The opposition comes in when you are doing it for the other reason, and that is to create more space, and you are mandating a certain portion of the year students have to be off.

Anyhow, continuing, when we created these school-based management schools, we also created, for example, satellite centers where we went and took the school to the workplace, for the children of the employees; where we provide the kindergarten through second grade program at no expense for the district except for the educational portion, which we would have to pay anyhow. The business community provides the location. The business community pays for the utilities. They pay for any security services or upkeep. It is a tremendous advantage to the employer and certainly to the employee, and it gets us in a situation where we are closer to that parent, because in many of the businesses—we have it in three locations right now, with five more on the drawing board—in the businesses that we have, the employers give the employees time off, where they can go and spend time right in the classroom, because the classroom is on the worksite. The parents can go there during lunch. We have after-school care programs so that the child goes home with the parent. We save on transportation. And we have had parents tell us that the quality time they spend with their children now in these satellite centers, particularly by the time they get back and get ready for the next day, with the hustle and bustle of preparing the meal and getting the kids ready for bed, that that quality time they spend at the satellite center, and just in transporting their kids—because when they are going to work, they are taking their child with them—that quality time, they say they cannot put a value on, it is so important to them.

The morale on the part of the employees, obviously, is much better, because they are very close to their children at the work location.

One of the companies where we have the satellite learning center, America Bankers Insurance Group, just opened up a $400,000 four-classroom facility at no cost to the taxpayers that will serve four classrooms, K through two. And they tell me that they used to have a turnover of about 11 percent, and that every year they spent approximately half a million dollars in retraining the people because of the turnover. The employees who have their children in the satellite learning center, the turnover rate there is down to about 4 percent. Absenteeism has been reduced on the part of the employees, tardiness on the part of the employee, and the morale is tremendously high. And they have saved money in terms of retraining because they have more continuity with their work force.

We just opened another one at Miami International Airport. If any of you are ever flying through Miami, you have to go and see it. It is really state-of-the-art. And these facilities are being built without cost to the taxpayer.

Community service—we are piloting right now a requirement in Dade County that any student who goes through our high schools will have to do community service as a graduation requirement. It is conceptual in nature right now, but one of the reasons we wanted to do that, quite honestly—we went out and passed the largest bond referendum for capital construction in the history of this country—$980 million—this past March, and 72 percent of our senior citizens voted for that bond referendum. Without that vote, we would not have accomplished what we are doing, which will allow us to build 49 new schools and modernize 260 schools. Like most urban school districts, we have had deferred maintenance on all of our schools, so this will really bring us into the 21st century.

But without the senior citizens who voted for it, 72 percent, larger than any other group, we would not have been able to do that.

The **Chairman**. How did you get them to do it?

Dr. **Fernandez**. We took them into our schools, Senator. We put them on buses, we fed them lunch, we took them into our schools, we let them interact with our children and with our teachers, and they walked away with a different message. They walked away recognizing that schools were important. We opened it up.

We created a VIP Program, Very Important Person Program, where we gave them a "gold card" that allows them into any of our athletic events or drama productions or music productions. They can have breakfast and lunch at our schools. And the only trade-off is they have to volunteer to do something in our schools. It has worked extremely well.

The **Chairman**. Are some working?

Dr. **Fernandez**. Oh, yes. We have over 20,000 volunteers in our school right now. That is another thing. If you were to put a dollar value on what we are gaining from those senior citizens that are volunteering in our schools, it is just tremendous.

My point, though, is that the reason this is all happening is because we have opened up to the teachers and let teachers come up with creative and innovative ideas.

We did this first, and I think as a result of that, the bond referendum passed. And we just passed a landmark contract—in Dade County today, with the doctorate degree in the field after 14 years, you can get $70,000 a year; with a bachelor's degree, you can get $35,000 a year. We just passed a landmark contract. The impact of that contract—last year, I had to hire 2,500 teachers, and my ratio was one-to-two, which meant we were probably hiring some people who we normally would not hire. You know, you do not have to have a teacher shortage; you just keep lowering your standards. This year, after the bond referendum, after professionalization, after the salary contract, my ratio was one-to-nine. So you know we are getting the best and the brightest people. And we believe sincerely that the teacher makes the biggest difference. If you get a good teacher, that is going to equate into achievement on the part of the students down the road.

So we recognize the jury is still out on this thing, but we feel we are going down the right path. Every day—it is more exciting to be in education in Dade County right now than it has ever been. There are so many innovative things going on. We have delegation on a day-to-day basis going through Dade County to see some of the things that are going on. And I think we have a source there that we are not tapping, and that source is the teachers and the administrators out in the field, the people out on the front lines. And part of the problem is that we have strapped them. We have really put too many restrictions on them in terms of regulations, not just from the Federal Government, but certainly from the State and the local—even from the Superintendent's office—too many restrictions.

I think once we started going down this path, we are not going to be able to go back, and I see this as the window of opportunity for us in public education. The business community has supported us because they see some changes going on. Certainly, governmental leaders like yourselves and other people are speaking in terms of doing something for education. If we do not take advantage of it now, I really think this is our last shot.

Thank you, Senator.

[The prepared statement of Dr. Fernandez follows:]

# Testimony on Federal Education Policy for the 101st Congress:
# Teachers and Teaching

before the

Senate Committee on Labor and Human Resources

on behalf of

The Council of the Great City Schools

Mr. Chairman, my name is Joseph Fernandez. I am the Superintendent of the Dade County (Miami), Florida, Public Schools, the nation's fourth largest public school district. I am pleased to appear before you today on behalf of the Council of the Great City Schools.

Currently in its 33rd year, the Council of the Great City Schools is a national organization comprised of 45 of the nation's largest urban public school systems. Our Board of Directors is comprised of the Superintendent and one Board of Education member from each city, making the Council the only education group so constituted and the only one whose membership and purpose is solely urban.

The Council's membership serves over five million inner-city youngsters, or approximately 12% of the nation's public school enrollment. About one-third of the nation's Black children, 27% of the Hispanic children and 20% of the nation's Asian children are being educated in our schools. Almost one third of these children come from families receiving public assistance.

Mr. Chairman, I thank you for the invitation to speak before this crucial Committee on possible federal activity in the area of teachers and teaching.

Before I start, I would like to call your attention to a report that the Council published last Fall, Teaching and Leading in the Great City Schools which should be in your materials. It describes not only the major challenges facing city schools in the area of teaching but presents an extensive overview of what urban schools, including my own and those in Boston, are doing to meet them.

Mr. Chairman, I would like to do three things in my remarks this morning: 1) outline the major challenges that schools, particularly urban schools, face in the area of teaching, 2) describe some of what my own district is doing to address those needs, and 3) suggest how the Congress might be helpful with legislation.

a) Educational Challenges for Teaching:

First of all the challenges. We see them falling into three broad categories: attracting teachers, retaining teachers and training teachers.

1) Attracting Teachers: While researchers quibble over whether the country faces a general teacher shortage, the problem of finding and attracting teachers to urban schools is here and now. Our problems are fivefold:

(i) Persistent Teacher Shortages: Teacher shortages are four times higher in urban areas than in other areas of the country, and by 1992 the annual national teacher vacancy rate of 7% may quadruple in our largest cities, according to the National Education Association. In general our teachers are older, have more teaching experience and have been in-system longer than average. At the same time our new teachers turn-over more rapidly than average. My own system hires about 2500 teachers a year, Los Angeles needs to hire about 1400 a year just to fill vacancies created by enrollment increases, normal turnover and retirements.

If not a single teacher retired in Wake County, North Carolina, the expected enrollment increase alone would require that system to hire 545 new teachers to fill demand. Half the teachers in D.C. will reach retirement age by 1993. Yet the numbers of individuals in-training to be teachers is insufficient.

(ii) Specialized Area Shortages: Sometimes, however, the numbers of vacancies are deceptive because districts may have enough teachers overall but suffer from shortages of specialized teachers. Shortages of math and science teachers are common but the need for teachers of special education and bilingual education has reached crisis proportions. In Los Angeles, for instance, 52.5% of the students are Hispanic but only 10% of the teachers are and only one-third of the teachers are fully-certified in bilingual education. The result is often that districts must assign teachers out-of-field or issue emergency certificates, strategies often unacceptable to unions.

(iii) Shortages of Minority Teachers: Moreover, the nations schools are experiencing a well-documented shortage of minority teachers. Black teachers have now fallen below 7% of the nation's total teacher pool at the same time the percentage of Black students has risen to about 17%. The truly dramatic disparities are in our own cities which often lead the nation in opportunities for minority educators. In the aggregate the student enrollment in the Great City Schools is about 70% minority, 30% non-minority. Yet, the teaching force in urban schools is about 32% minority, 68% non-minority: almost the reverse. Unfortunately the education reform movement is unwittingly hurting our efforts to recruit minority teachers. Teacher competency exams, now required for certification in 26 states, are closing the gates on minority candidates. Any legislation this body considers regarding the National Teacher Standards Board

## Selected Statistics on Urban School Teachers

- * Number of teachers in Great City public school systems: 272,084
- * Percentage of teachers in Great City Schools who are minority: 85,978 (32%)
- * Percent of nation's minority teachers working in Great City Schools: 56%

- * Average years of experience of teachers in Great City Schools: 15
- * Average number of days on duty for teachers in Great City Schools: 186
- * Average pupil/teacher ratio in Great City Schools: 18.7:1
- * Average salary of teachers inGreat City Schools, 1987-88: $29,218

- * Number of new minority teachers that would have to be produced annually to fill the current demand for minority teachers (based upon the percentage of minority students): 50,000
- * Approximate number of minority college students graduating with degrees in education annually: 14,000
- * Percent of current teacher education students who want to teach in an urban school as their first assignment: 16%
- * Percentage of general teaching force that will be Black in 1990: 5%
- * Extent of teacher shortages in central city schools as compared to the extent of teacher shortages in all schools: 2.5 times the shortage

- * Percentage of city teachers who feel respected by society: 39%
- * Percentage of urban teachers who would not teach if they could start over: 13%
- * Percentage of urban schools where teachers rate professional development opportunities as inadequate: 58%
- * Percentage of urban teachers who report having no say in selecting textbooks or materials: 36%
- * Percentage of urban schools where teachers report working in inadequate buildings: 52%
- * Average number of students more per day a big city teacher teaches than a small-district teacher teaches: 23 more students
- * Average number of hours per week urban teachers spend on instructional duties without pay: 9.2 hours
- * Percentage of urban schools where teachers rated their resources as inadequate: 81%
- * Percentage of current education majors who report being inadequately trained to deal with "at-risk" students: 29%
- * Percentage of urban schools where teachers report poor student discipline: 77%

should keep this in mind.

(iv) Lack of Interest in Urban Teaching: The sad truth is that most new teachers would rather teach almost anywhere other than the inner-city. One explanation is that 80% of new teachers want to teach within 50 miles of their home, and only 1 in 20 call a big-city home. The upshot is that only 16% of current teacher education students want to teach in an urban school. The problem is only made worse by negative perceptions about urban schools. One solution, of course, is for us to grow our own teachers. But dropout rates of 25%-to-40% in many cities eliminate many candidates; others move into vocational and technical trades; some pursue college but only half finish -- and those who do usually pick other careers. By that time, the teaching pipeline has narrowed to a soda straw.

(v) Disappearing Salary Differentials and Low Pay: Urban schools have relied for a long time on higher salaries to coax teachers into positions and to compensate them for the higher cost of living. But this differential has almost closed, as states responded to calls for reform by uniformly raising teacher salaries, negatively affecting cities. In 1980-81, urban schools paid their teachers about 10.6% more than the national average; in 1987-88 they paid them just 3.5% more. Teachers in general however, continue to be paid well below their value to society -- and it damages education's ability to attract qualified people.

2) Retaining Teachers: While many -- if not most -- of our teachers are pleased with their career choice, urban teaching is not easy and it makes difficult our ability to keep good instructors. We cannot gloss over our substandard facilities, overstretched resources, students with profound problems and the unbelievable social problems outside the school-yard.

(i) Inferior Working Conditions: A recent study by the Institute for Educational Leadership (IEL) of urban schools concluded that urban teachers work under conditions that are dramatically worse than other teachers. These conditions include cramped and crumbling buildings and facilities, heavier workloads and larger class-sizes than usual, fewer resources and books, and more student discipline problems. All of those make it more difficult for urban districts to keep the teachers they have recruited.

(ii) Lack of Professionalism: Perhaps even more important, however, are professional frustrations: lack of respect and recognition, limited opportunities for collegiality, inadequate professional development, and lack of decision-making authority. In fact, the absence of professionalism is second only to salary as the reasons teachers give for leaving teaching.

3) Enhancing Skills of Teachers: For our teachers to meet the demands facing us in the future, they will have to be highly qualified professionals, knowledgeable about their subjects and adept at teaching. Recent reform reports -- including Carnegie's -- suggest we are far from achieving that goal. Too often, low ability students are filling schools of education, and once they graduate and are hired schools often do little for their professional growth.

(i) Inadequately Prepared Teachers: Still, today's teacher is better educated, more experienced and works harder and longer than the teacher of a decade ago. Even so, the training teachers receive is rarely adequate to qualify them as excellent urban teachers. Most teachers, in fact, rate their education courses as inadequate in preparing them for life in a big city school. At the same time, studies like that done by IEL show an even greater need for professional development, and in-service training in their subject area, special student needs, and teaching techniques.

(ii) Poorly Performing Teachers: Finally, we cannot overlook teachers who perform below expectations, are in need of training to teach up-to-standard, or simply shouldn't be in a classroom. While there are fewer such teachers now, urban schools continue to need to replace or upgrade them.

b) What We Are Doing About the Teaching Challenges:

These challenges, at first blush, appear insurmountable but there is much that we as urban schools are doing to address them. Again, I call your attention to our report, Teaching and Leading in the Great City Schools, which describes over 180 programs throughout our large city schools operating to boost the pay, the status, and the performance of teachers. Let me take a moment to describe what we in Dade County are doing by way of example:

1) First of all, the Dade County Public Schools are in the fifth year of a program which requires teachers and administrators to decide jointly on academic goals for each school and develop a joint plan for implementation.

2) Secondly, every one of our schools is required to have a faculty council which meets regularly with the principal to discuss issues of mutual concern.

3) In addition, we have instituted a Teacher Assessment and Development System (TADS) which outlines detailed expectations for teachers and involves classroom observations and evaluations by other teachers and administrators, standards for which are defined by the system and its teachers.

4) We also offer credential-payments to teachers with advanced degrees in their teaching field, and provide salary supplements for teaching in critical staff shortage areas or in high-need locations.

5) Moreover, our beginning teacher program assigns and compensates veteran or Lead teachers to work with new instructors for up to a year on teaching techniques, district policy and personal support.

6) Our school-based management program, now operating in 45 schools, is one of the most advanced in the nation — giving each site a greater voice in curricula, scheduling, budgeting and operating decisions. The effort spans all school personnel at all grade levels, each with its own committee of teachers and staff to propose structural, policy, regulatory and instructional changes in the schools's operation.

7) Our Dade Education Compact is a collaborative effort between ourselves, the teacher union, and the University of Miami — to provide teacher recruiting, alternative teacher certification, graduate programs for teachers, dropout prevention services and research.

8) We have also instituted Satellite Learning Centers in Dade County, supplying a Lead Teacher to initiate and implement decisions and to coordinate activities of the union, the school and the private sector.

9) Dade County has also implemented a Future Educators of America Program to encourage bright secondary students, particularly minority students, to pursue

teaching as a career. The project encourages students exploring teaching as a career to tutor other students as a way of getting practical experience.

10) Finally, we have established an Academy for the Teaching Arts to provide teachers system-wide with a minisabbatical to energize and revitalize them through seminars, clinics, internships, research and updates in subject area.

Mr. Chairman, I think you can see that we are working, through these efforts, to redefine our own education delivery system. If we are successful, we will improve the way teachers teach, administrators manage, and most importantly, the way students learn. And in the process, we will have created an environment designed to attract and keep the very best educators for our schools.

c) What the Federal Government Can Do:

The Congress has an important role to play in helping us meet the challenges of recruiting, training and keeping qualified teachers. As you may know, Senator Pell -- the Chair of the Subcommittee on Education, Arts and Humanities -- introduced at the request of the Council of Great City Schools the "Teachers' Professional Development Act" last year and plans to reintroduce it again by request this session. This proposal has many of the components we think Congress should consider enacting in any comprehensive teacher legislation. They include:

1) Teacher Professional Pilot Grants: These would be competitve grants to LEAs to test and evaluate efforts to enhance the professional status, governance role and satisfaction of teachers, including such efforts as incentive pay, school-based management, research and dissemination, master or mentor teachers, career

ladders and the like.

2) Teacher Recruitment Incentives: These would involve competitive grants for LEAs and institutions of higher education to support local recruitment programs, and joint school system/university teacher preparation programs. Priority for such grants should be given to projects aimed at recruiting and training minority individuals and could include tuition assistance for current teacher aides to earned full teacher credentials, support for Future Teacher of America chapters, and fifth year training programs for prospective teachers.

3) Inservice Teacher Training: In addition, the federal government could be helpful by authorizing funds for LEAs to support in-service teacher training projects, particularly in shortage areas like math, science, foreign languages, technology, and humanities. Other activities might include efforts to entice former teachers back into the profession or to recruit private sector individuals to fill vacancies temporarily.

4) Teaching Academies: Congress could also authorize National Teaching Academies, state-wide academies or local Teacher Centers to serve as clearinghouses for research, evaluation and model programs regarding professional development, recruitment and training of teachers.

5) Teacher Loan Forgiveness: Finally, the Council suggests a provision to forgive GSL loans for teachers employed in LEAs with minority enrollments exceeding 50%. We would propose waiving 20% of each loan for every year a teacher is employed in such LEAs.

Mr. Chairman, this concludes my testimony. I would be pleased to answer questions on this crucial educational issue. Before I close, however, I would lend the Council's enthusiastic support for another bill that this Committee should pass at the earliest possible date: S.123, "Smart Start". That bill would help fill another critical need in our cities for early childhood education services. Finally we would like to thank the Chairman for this opportunity to testify and to Senator Pell for sponsoring the Council's proposals on teacher recruitment, training and retention.

The **Chairman**. Well, this has been an excellent panel.

I want to apologize for Senator Kassebaum. She has, I believe, Secretary Kemp up in the other committee, and she was going up there to inquire, but she will be back here later on.

I want to ask Dr. Boyer and perhaps the others will respond—I am strongly for national service, and we have tried to work with our literacy corps program which we have now funded, where we are dealing with six colleges up in the Greater Boston area and supported by the Greater Boston business community. There have been a number of proposals which have been advanced. One of the proposals would utilize the funding for that program and take it out of the various education-funded programs.

I would be interested Dr. Boyer if you or the others would wish to make any comment about that particular approach. I perhaps could state it more delicately, but no matter how you read it, I think that is about where it comes out. I did not know whether there was anything you wanted to say on that.

Dr. **Boyer**. First, I am enthusiastic about the current attention locally and nationally on service. I think its potential to help renew not just education, but a sense of vitality among the Nation's youth, is remarkable.

The second point, Senator, the service efforts can occur at different levels. I have indicated the educational, academic, volunteer within communities, but I am also fascinated by the national strategy of the service corps. But I would have to say that I would be enormously uncomfortable if we were to use that as a replacement strategy for the historically-developed student aid based upon the need for equality of access. I think that would be mixing two very different policies. And I think to try to fund a student service program nationally, at the same time begin to undermine equity through the Pell Grants and the loan program, would be, frankly, winning one war while we are losing another.

So I would be enormously—if I might be so bold—cautious about seeing the funding of the service program, because in my opinion they are serving two very different public policy responsibilities, and I think it would be a shame to see us start to erode this equity commitment that we have around an equally important interest we have to renew students and also to add energy in the Nation's service.

The **Chairman**. I do not know whether Dr. Fernandez or Dr. Caldwell wish to make any comment on this.

Dr. **Fernandez**. We are very much in favor of community service. We think it adds character, and certainly it is important. As I told you earlier, we are mandating it as a graduation requirement in Dade County.

In terms of it coming from above, I do not know—our feeling is that the less restraints and restrictions we have on the local level, the better off we are going to be. Obviously, we would like the resources, but the less restrictions we have, the better off we are going to be. That is the whole essence of what we are doing in school-based management; it is a bottom-up philosophy, not a top-down philosophy. But we are very much in favor of community service.

The CHAIRMAN. Let me just inquire into the need for the recruitment of minority teachers. We will get into the flow line in terms of graduate schools. Generally, there has been a significant decline. We are seeing various changes in the school population. What ideas do you have about how we might address that particular issue?

Dr. FERNANDEZ. You recognize, I know, that we have a danger in our urban centers of ultimately ending up with a minority population and a non-minority teacher population with no role models for those children. That is one of the dangers that we are facing right now.

We have to do more at the bottom level, and that is, I think, some of the things we were talking about in terms of encouraging students, improving the profession so that it is something that those students want to go into. There is no encouragement, no enticement for those children now.

Through the Future Educators of America chapters, through the things that Dr. Boyer was talking about in terms of these summer institutes for students—all of these programs are the types of things that I think are going to help entice some of these children to go into teaching. We have to get our share of those kids who are going to become doctors and lawyers and Senators, if you will; we have to get them to come into education. And they are not going there now because of the salary, because of the way they were being treated, and because of the facilities. And I think once you start addressing those three issues, it is going to turn some of those things around.

Dr. BOYER. I wanted to say that I think this is perhaps one of our most urgent challenges and, maybe on the dark side, ominous trends. We just cannot have increased numbers of black and Hispanic children in the schools unserved by teachers who also represent good education and good role models.

You know the recently released data regarding black males going on to college; if they do not go on to college, they certainly are not going to be able to choose teaching as an option.

And the longer I think about this, the more I think this must become a sharply-focused strategy, beginning, I believe, in junior and senior high school. We have to say to minority students there, "You can go to college, and you are good enough to be a teacher." But that is not enough. I think we have to capture some of the climate that surrounded the so-called Eugene Lang, "I have a dream". That did not succeed because he said, "We will pay you to go to college"; it succeeded because he stuck with it and became a friend, and somebody cared.

So I keep vaguely groping for the possibility of combining that national challenge with the issue of service. Maybe we could have college students, as a part of their service, become mentors to 50 junior and senior high school kids and spend a year or two with them, meeting regularly, and then match that with some summer retreats and seminars so that the issue can be encouraged, and perhaps even take some minority teachers and let them spend some time in schools. We use athletes and others to indicate successes. We have great teachers from all of our cultural and ethnic backgrounds.

So as was just said by Dr. Fernandez, these need to be, I think, identified early and then encouraged continuously. And if we can find that strategy, perhaps through service, older high school students as mentors, college students as mentors, good teachers who have succeeded as mentors, I think we will begin to inspire young people who otherwise are not well-motivated. They are attracted to other, more short-term gains, and this is a long-term kind of deferred gratification, and it is almost in a world they do not understand. So it needs to become both real and inspiring.

The **Chairman**. We will hear Dr. Caldwell in just a minute. I just wanted to finish up.

Dr. Boyer, what we have got moving up in Boston is this literacy program at the cost of $25,000 at each college. And the Boston business community has put up $150,000. We have six colleges that are participating now—Boston College, and I think Harvard will start it next spring. The students do six hours of tutoring, and the tutoring has to be carefully-supervised and tied into their other academics.

The principal problem we have is getting the academic institutions to give any kind of academic credit. They want to review this very carefully—as they should—to find out how it can be tied into the whole educational experience in the liberal arts area. But they are finding out, with very careful supervision, that this is useful and important and academically justifiable.

And the things that you have mentioned, I think, can be put into practice in a way that the universities and colleges could be challenged as to how they can provide credit in ways that are consistent with academic standards and give an opportunity to kids. We get a percent that will volunteer—in the old Phillips Brooks House up at Harvard, which I did, and so on—but to try and get it so they can be a part of this whole process, I think is something that needs further thinking as well. And to the extent that you, with the resources that you have, would be thinking that through, it would be helpful if you would be willing to help us in dealing with the universities. I think you could be enormously helpful. I think all the things you have said make a lot of sense.

Dr. **Boyer**. Could I just say, for it to be given academic credit, and colleges need to feel confident about that, it has to not only include the notion of service, which I celebrate, but also what you learn from that service. And that would involve perhaps writing papers, holding seminars, so that you come back to the educational community, and it becomes circular. So you go out to serve, but it has a certain relationship to what you have learned. It is closing that loop that I think gives it academic legitimacy.

And in response to your suggestion, we might try to develop some both descriptions, analysis of, and maybe examples of how that has worked.

The **Chairman**. I will talk or visit with you later about it. I appreciate it.

Dr. Caldwell?

Dr. **Caldwell**. I wanted to make a point that the early childhood field has given an important model of ways of drawing minorities into the field. I mentioned the low salaries earlier, and since we use a lot of aides and assistants, many of them are minorities who did not finish high school and so on—or maybe they had high school and nothing beyond.

The early childhood field has had this alternate training program called CDA, Child Development Associate, which is a competency-based curriculum that allows individuals to demonstrate their competencies without necessarily having had the regular credentials.

What happens with many of these is, like I said about the parents earlier, they become more motivated for their own education. And I have personally hired many who have come in as aides, who have then enrolled in an education program and have moved into positions as regular teachers with better salaries and so on.

But the field has to be willing to give them a chance.

The CHAIRMAN. Thank you.

Senator Pell?

Senator PELL. I just want to follow up a little bit with Dr. Boyer and say that we do plan to introduce some legislation dealing with teachers, as I think you are aware, particularly with the recruitment of new teachers and the upgrading of the present ones. That would be an opportunity to have a hearing in which perhaps only teachers would be there. So that is sort of on the griddle, I do not know when exactly.

Then, also, I will introduce legislation will be introduced that will address this issue.

Dr. FERNANDEZ. Senator Kennedy, I would be remiss if, on behalf of my 44 colleagues from The Council of the Great City Schools, we did not thank both of you for the legislation that you are proposing. I know it is very important to those five million students that we represent.

Senator PELL. Thank you very much.

The CHAIRMAN. Thank you all very much.

We want to note that the hour is well on, and we see Dr. Cavazos necessarily has to absent himself, but we have been delighted to have him here, and we have really appreciated his strong commitment to working with us. We look forward to it.

Senator PELL. We hope that not figuratively, lights turn out as he leaves——

The CHAIRMAN. But the sunshine came in, Claiborne.

Thanks a lot.

We welcome our last two witnesses. Neither witness needs an introduction; both have been here many times before.

Harold Howe is Senior Lecturer at Harvard Graduate School of Education. Dr. Howe had been involved in education for 40 years. In his distinguished career, he has been U.S. Commissioner of Education, and Vice President of the Ford Foundation.

Joining Dr. Howe is Robert Atwell, President of the American Council on Education. Mr. Atwell is a leading spokesman for American higher education on a wide variety of issues. He has been involved in efforts to preserve and expand Federal funding for higher education and increase educational opportunities for minority citizens. Prior to joining the American Council on Education, he was the President of Pitzer College in Claremont, California.

Dr. Howe, we look forward to hearing from you.

## STATEMENT OF DR. HAROLD HOWE II, SENIOR LECTURER, GRADUATE SCHOOL OF EDUCATION, HARVARD UNIVERSITY, CAMBRIDGE, MA, ACCOMPANIED BY SAM HALPERIN, STUDY DIRECTOR, YOUTH AND AMERICA'S FUTURE; AND DR. ROBERT ATWELL, PRESIDENT, AMERICAN COUNCIL ON EDUCATION, WASHINGTON, DC

Dr. HOWE. Mr. Chairman, it is good to be here again.

I cannot help think of many other occasions when this committee was looking at very significant legislation and passing an immense amount of it—the catalogue is so long, it would take too much time to recite it here.

But in all the work that you have done—you said you have been at it for 26 years in this committee a little earlier; I think I have been at it for 24—I think you have managed to establish, really, a reputation for two significant ways of doing business. One is to pay absolutely clear attention to the question of equal opportunity in the United States in the field of education. And your legislation has kept that issue alive, made progress under the banner of that issue and will continue to do so. And we are all in your debt.

The other thing that this committee has done over the years and is still doing is to make that equal opportunity effort possible by conducting these conversations in the spirit of bipartisanship. It has been an immense contribution to the legislative processes of the United States, the spirit in this committee. I think back to Wayne Morse and Jack Javits and a bunch of other people who were here, who really contributed in powerful ways, sometimes with great individuality to an extent that they stuck out from all the other members of the committee who disagreed with them about various things. But in the course of it, the bipartisanship always emerged, and I think it is a powerful tradition to hang onto.

I am here because I have chaired for the last couple of years a group of Americans, taking a look at youth in American society. We have prepared a report—and we have submitted it to you, and you have copies—called "The Forgotten Half"—a somewhat discouraging title.

We think there are grounds for that title when you look at youth, say, age 16 to 24 in American society in terms of the attention that youth have gotten from both State and national government.

If you take a look at what is done for college-going youth in this society, there is absolutely no comparison. They are vastly more helped by Government at both levels than are youngsters who do not go to college.

Through this committee, a number of programs that serve youngsters who do not go to college have emerged, but in terms of dollar support, in terms of pervasiveness, in terms of access, in terms of availability throughout the land, those programs for the "forgotten half" are much less significant.

This is a major finding of this group of bipartisan Americans who spent two years looking at the subject.

By way of solution to this kind of thing, we come up with many of the matters that you have discussed here this morning. We believe that there is on the books right now a lot of very useful, very successful legislation which, in some cases, slightly amended, but in most cases, just properly funded, a revolution could be made in this land about the opportunities of the bottom half. And again, these items have been discussed here this morning, but let me catalogue them for you, because it is interesting to look at them in this perspective.

Head Start—which everybody likes—services 19 percent of its eligible population.

The Job Corps, which has been very well-evaluated in a number of different significant studies, serves near one percent.

Chapter I, which now almost everybody likes—and I was delighted to hear the Secretary say that he is going to support that more deeply—serves about half the youngsters who are eligible.

The Joint Training Partnership Act serves about 5 percent of the people who are eligible. It is newer legislation; it has some faults; it has some real successes to recommend it. And it is a program that ought to be continued. It is a hard-headed effort to decentralize the business of getting training programs developed at the local level, and it is one of the real contributions of the Reagan Administration.

The Vocational Education Act, with which you will be dealing shortly, I understand, has eroded by about 30 percent of its funding through the process of inflation in the last eight years.

So here we have a group of programs which have been well-shown to do a good job for the people they serve, which have been accused from time to time in the heat of the political process of throwing money at problems—which clearly they are not—and here is a group of programs we do not need to pass legislation on in large part. We need to fund them adequately. We know they work. They will make an immense change in the lives of the young.

Our commission came up with a round number of $5 billion a year that ought to be added to these programs, and we have them listed specifically in our report, for a period of five years in order to make the kind of difference that is needed.

Now, you asked me in my testimony to say a word or two about the Vocational Education Program because you were getting to that soon in your business. We found in this study that after a certain amount of vacillation, our commission wanted to come out strongly in favor of vocational education, but to recommend some emphases in it that need more attention than they are getting. Those emphases hang around the general idea of work-study combinations of various kinds, apprenticeship arrangements, on-the-job training.

These kinds of suggestions are a reaction on our part to what seems to have happened in the school reform movement in the United States. What seems to have happened is there has been so much attention to improving learning for kids who are going to college that the ways of learning that help young people not going to college have tended to be ignored. And you have a certain kind of backfire from the school reform movement in the sense that in many places, the increasing of standards for academic performance have resulted in more dropouts.

We think that turning the Vocational Education Act in the direction of learning by doing further than it is can probably do a lot to improve the opportunities of youngsters who are not going to college.

Now, in emphasizing this not going to college business, I do not want to cast any shadow at all on my neighbor, Bob Atwell, who represents the higher education institutions. We are not in any way suggesting that support of the Federal Government for higher education be diminished. We are simply saying that there is a reasonable argument that there is a "forgotten half" in the United States that very much needs attention.

Then I would comment on one other point, and ask my colleague, Sam Halperin, to comment on a final one. I want to bring up this community service conversation that has occurred several times this morning. Our report has an entire chapter on that subject. Our commission favored it powerfully as really a mode of developing healthy citizenship.

But our commission, after debating the subject, did not come out for a national youth corps; it came out for community service and for the encouragement of community service by the Federal Government through providing various kinds of technical assistance, through encouraging States or cities which wish to develop community service activities, either on an organized youth corps basis or on any other basis that they wish, to get some help from the Federal Government in getting things going, but keeping it at the level of local initiative with some Federal encouragement.

The question of requiring people who got aid to go to college to do community service was discussed in our commission, and we decided not to recommend that. I thought that Ernie Boyer's answer to that query was just right; I do not think it is a good idea. I think it is sort of a "Star Wars" kind of idea. It sounds good, but after you look into it, you find it is just beset with all kinds of problems, not the least of them being the equity problem.

So that my comment on that would be to try to find in the Government, particularly in collaboration with President Bush's speech in California on this subject a while ago and his interest that is now, I understand, being pursued in an organized way to try to define what might be done, I think getting together with that kind of approach to this is going to be more constructive than trying to build a massive central Federally-involved enterprise.

Now, we had some other legislation we suggested, and I would like to ask Sam to say a word about that, if I might.

The **Chairman**. Mr. Halperin?

Mr. **Halperin**. Mr. Chairman, as we well know, the State and the Federal Government have been involved for a very long time in creating structures. The structures, however, do not treat the entire human being. They treat a problem here and a problem there. Quite often, the resources are frittered away because they do not hold together. So collaboration, cooperation, and integration are words that need to be turned into actual working institutions on the ground.

The commission considered for a long time what was the secret of the I Have a Dream Foundations, the Trio Programs, and it was that they utilized a series of resources across-the-board.

And so in Chapter 7 of our final report, we suggested something called "Fair Chance", which does not provide additional student financial aid to try to increase college-going and college completion, vocational education and technical education, but which tries to pull together the support services, the mentoring, the academic remediation, the motivation. Without these, all of the student financial aid in the world will not help many young people. Indeed, we have a horrendous problem of dropout, you might call it, attrition, lack of retention, in higher education and in vocational and technical education, generally.

So we ask you to look at your leisure at the proposals which try to create voluntary mechanisms in demonstration areas in every State of the Union, to see what can be done to bring together the resources that are already out there—the "glue" money, the gap-filling money is a very essential part of the proposal.

The CHAIRMAN. Thank you.

[The prepared statement of Dr. Howe (with an attachment) follows:]

YOUTH AND AMERICA'S FUTURE:
THE WILLIAM T. GRANT FOUNDATION
COMMISSION ON WORK, FAMILY AND CITIZENSHIP

Chairperson

Harold Howe
Harvard Graduate School of Education

**STATEMENT OF**

**HAROLD HOWE II**

**Chairperson, Youth and America's Future:**
**The William T. Grant Foundation**
**Commission on Work, Family and Citizenship**
**Senior Lecturer, Harvard Graduate School of Education;**
**Former US Commissioner of Education**

**accompanied by**
**SAMUEL HALPERIN**
**Study Director, Youth and America's Future**
**U.S. Senate Committee on Labor and Human Resources**
**January 27, 1989**

Mr. Chairman and Members of the Committee:

My colleague, Mr. Halperin, and I have been appearing before this distinguished Committee for over a quarter of a century. It is truth, not hyperbole, to remind the nation that over these years this Committee has been responsible for authorizing programs that have literally changed the face of the nation -- and very decidedly for the better. It is difficult to imagine what America would be like today without Head Start, Job Corps, the Elementary and Secondary Education and Higher Education Acts, Pell Grants, Bilingual Education, Vocational Education, and the Job Training Partnership Act, and the many statutes to protect the rights and advance the welfare of *all* of America's citizens, of all ages, races, genders, and conditions of life.

It was in this Committee, too, that strong traditions of bipartisanship in education and training were fashioned over two decades ago. All the great Senators of both parties -- Lister Hill, Jacob Javits, Wayne Morse, Winston Prouty, the Kennedy Brothers, Robert Stafford, Claiborne Pell, and many others -- understood that the ultimate wealth and power of the United States is summarized by the very apt title of this Committee on Labor and Human Resources.

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As you proceed to shape your legislative agenda for the 101st Congress, I hope that you will bear this historical perspective in mind and not become entangled in the minutia of one bill or another. For you have crafted a priceless legacy for America's children and students of all ages, making genuine progress toward the goals I believe we all share with our new President: not only a kinder and gentler nation, but also a more skilled, competent, and resilient people.

My other hope for this Committee is that, in your various deliberations, you will not overlook the potential contributions of what our Commission on Youth And America's Future has called "The Forgotten Half." From the National Defense Education Act of 1958 to the school reform movement of the 1980's, the strong tendency in American education and training has been to focus on approximately half our population that is headed for college and to under-invest in, if not totally ignore, the needs of the approximately 20 million 16-24-year-olds who are unlikely to pursue formal academic training beyond high school.

What our bipartisan commission of 19 accomplished Americans concluded from its two-year survey of research and evaluation studies can be summed up quite briefly:

First, *America shortchanges half of its youth -- the half that doesn't go to college.* These young people receive negligible assistance in starting their adult lives, compared with their high school classmates entering higher education. All too often, the non-college-bound move from school to work in the economic limbo of unemployment, part-time jobs with few or no employee benefits, and only poverty-level incomes.

Changes in families -- brought on by changes in the work patterns of women, shifts in the labor market, and the sharp growth of poverty in the under-25 age group -- increase the difficulties that non-college youth confront. Communities and schools have had a difficult time responding to these upheavals in work and family. Taken together, these disruptions in the lives of older youth and young adults justify the title our Commission has given its interim and final reports: The Forgotten Half: Non-College Youth in America and The Forgotten Half: Pathways to Success for America's Youth and Young Families. (Copies of both reports have been made available to the Committee along with a variety of summary material.)

Second, *the American people are not acting decisively on the knowledge we have of how to help the Forgotten Half become successful as workers, parents and citizens in the community.* While society doesn't have all the answers it needs, extensive experience and evaluation assure us that many programs -- e.g., Head Start, Job Corps, Job Training Partnership Act, all of which were first crafted by this Committee of the Congress -- work reasonably well. They can be further improved, and they should be extended to serve those who most need them.

- Consider for a moment that the well-researched and almost universally admired Head Start program -- which saves society $4 to $5 for every dollar invested in it -- even today reaches only 19 percent of the children who are eligible for its services.
- Consider that the Job Corps, probably the most-evaluated, large-scale social intervention for at-risk youth -- which reclaims young people for one-third the cost of a single year's incarceration -- that same Job Corps can accommodate only one percent of the youth for whom the program was designed.
- Consider that the Job Training Partnership Act -- another of the programs pioneered by this Committee -- today reaches only five percent of the young persons who could be helped by it to live lives of dignity, responsibility, and self-sufficiency. Even the lucky five percent, however,

receive only 16-18 weeks of training at a cost of $1,800-$2,300. This is hardly enough to compensate for a lifetime of inadequate preparation, and it compares most unfavorably with the $20,000 public/private subsidy that society offers to its college-bound youth over a four-year period.

- And consider that the purchasing power of federal funds appropriated for vocational education has actually fallen 31 percent from 1980 to 1988.

And the list of programs that work goes on and on. The point to be stressed is that lack of knowledge about how to deal with tough problems must not be used as a cover-up for our lack of political will. This Committee has pointed the way. It is time to stop blaming our young, blaming our schools, blaming everyone but ourselves for failing to get on with the job of building a world-class workforce that, in turn, can support the quality of life and opportunities for self-improvement that have long been equated with the American Dream.

* * *

In a country committed to the value of education, it has become nearly an article of faith that a college education is the best route, and perhaps the only route, to success in America. Certainly college-going pays off handsomely in higher earnings. (See, for example, Appendix E in our Commission's final report, The Forgotten Half: Pathways to Success for America's Youth and Young Families.) But a college degree is not the only way to develop the talents of tomorrow's workers and, for some, it is far from the best.

Young people without a college credential are in danger of being locked out of a society that desperately needs their talents -- to build our homes, drive our buses, repair our automobiles, maintain and serve our offices, schools, and hospitals, and keep the production lines of our mills and factories moving. However, stable, good-paying jobs that do not require advanced training are rapidly disappearing. Between 1979 and 1985, the United States suffered a net loss of 1.7 million manufacturing jobs, a decline mirrored in the transportation, communication, utilities and agriculture sectors as well.

It is easy to ignore these changes given the current optimistic, but dangerously misguided, belief that low overall unemployment means a healthy economy. While it is true that our fast-changing economy has created millions of new jobs in the service and retail sectors, the fact remains that many of these are low-skill positions, only part-time in character, and offer few health benefits or opportunities for career advancement. Moreover, the vast majority pay wages at only half the level of a typical manufacturing job. Indeed, a recent report of the Senate Committee on the Budget found that half of all the new jobs paid poverty-level wages or below. (Wages of American Workers in the 1980s; Senate Print 100-124.)

The long-term decline in the economic prospects of young workers in the 18-24-year-old age group now leaves non-college youth with a shaky launching pad for their working lives. The impact of these changes on young families will be felt for decades to come.

Since 1973, young workers have experienced sharply declining real income, unemployment or underemployment, and increased participation in jobs without a future and without medical insurance and other essential employee benefits. In 1986, nearly 33 of every 100 families with children headed by a person under 25 had below poverty-level incomes -- a rate more than double that of 1967 and triple the 10.9 percent rate of all American families in 1986. Those from minority groups have sunk most rapidly, but compared to other groups in American society, all young people, especially the non-college-bound, have lost ground.

Without specialized skills, non-college youth simply cannot compete for the good jobs in today's labor market. But opportunities to acquire advanced training are often not available. While each student enrolled in an institution of higher education can expect to receive a combined public and private subsidy of approximately $20,000 during a four-year college career, youth not going on to college, but who need other forms of education and training, are starved for support. Only about five percent of those eligible for federally-supported job training under the JTPA receive it, then only for about four months -- rather than four years -- at a public subsidy of $1,800 to $2,300 per student. For the most part, young people not going on to college are left to sink or swim on their own.

Although we have found alarming evidence of the declining economic fortunes of American youth, we have also found evidence that many communities are taking new and imaginative steps to insure the healthy development of *all* their youth. Not all of these activities on behalf of young people and young families have been rigorously evaluated; we hope that many more will be. In the meantime, we believe that the examples our Final Report offers of what communities are doing on behalf of young people -- often in genuine partnership with them -- are sufficiently promising to warrant much greater public attention.

We appreciate the opportunity to outline here the principal findings and recommendations of **Youth and America's Future:** The William T. Grant Foundation commission on Work, Family and Citizenship and to underscore the need for elected officials -- from the Congress to the White House and in state and local governments -- to ensure a fair chance for the non-college-bound.

* * *

Ultimately, we believe that the American people should set the improvement of employment and earning levels for all workers as a conscious goal of public policy. In pursuit of that desired outcome, we recommend better opportunities for education, training, community service, strengthened relationships with adults, and increased family and community supports as means to achieve a more equitable balance in the Forgotten Half's odds for success.

1. *A central premise of our report is that the schools cannot do it all.* Young people's lives are shaped by their experiences at home, in the community, and at work, as well as at school. It makes no sense at all to expect schools alone to repair the damage done to young people handicapped by wholesale changes in families and communities. But that is what we are doing. Learning in school is only one means of educating young people for life; it is essential, but not sufficient. Every bit as valuable are the opportunities for hands-on learning offered in youth organizations, community service activities, and in the workplace. But we often find that vocational education is stigmatized in the schools and that other valuable educational laboratories are overlooked, underutilized, underfunded, and certainly under-appreciated.

Educators have become so preoccupied with those going on to college that they have increasingly lost sight of those who do not. The aim of the current school reform movement must not be the pursuit of excellence at the expense of equity. Research confirms that young people learn in different ways. If schools-- and their students -- are to succeed, schools must develop greater flexibility in their teaching methods even as they strive to develop a challenging core of common learning. Whether aiming for college or the workplace, instruction that builds thinking skills, rather than reliance on rote memorization, and that emphasizes experiential learning and cooperative work strategies best prepares young people to succeed in a complex world.

As your Committee considers the reauthorization of the Carl D. Perkins Vocational Education Act, our Commission would urge that you do all in your power to reduce the stigma that, unfortunately, attaches to so much of vocational education. Vocational and technical education must not be regarded as a "dumping ground" for those who are regarded as "too dumb" to succeed in an academic program.

The truth is that virtually *all* students could benefit from schooling that blends strong emphasis on academic fundamentals with practical, hands-on application of knowledge. Not everyone learns best with the typical school methodology of abstract, conceptual lecturing, and textbook instruction. When learners are exposed to the laboratory, to the workshop, to apprenticeship training, to the field station, and to other "real world" learning sites, their curiosity is kindled and they find effective new ways to master skills.

Properly conceived, vocational-technical education can reduce the dropout rate by illustrating the relevance of learning and skills acquisition to success in the workforce, and can encourage young people to continue their education and training beyond high school. Thus, we support pending proposals to link high schools with community colleges and technical institutes in a four-year continuum of vocational-technical preparation. Vocational education must not be seen as a "backwater," but rather as a central stream that leads many students to success as workers and as lifelong learners. Students within it should be encouraged to assume that college attendance can be part of their future, as it is today for many workers in the 25-40 year age group and older who attend college part-time.

We repeat: schools cannot do it all. But by working together, schools and community learning institutions can greatly expand young people's access to a wide variety of time-tested opportunities for sound learning. To this end, we recommend renewed consideration and wider replication of work-study, apprenticeships, cooperative education, service-learning, peer tutoring, internships, youth-operated enterprises, on-the-job training, and adult mentorship. In particular, we hope that states will be encouraged to develop stronger links between apprenticeship programs and voc-tech education, for both have much to contribute to the development of a world-class workforce.

2. *Our Commission also gives strong support to the notion of citizenship through service.* We recommend that all 16,000 school systems in the US either make community service for credit an integral part of their education programs or require a specified amount of such service as a graduation requirement. In addition, we recommend that schools develop appropriate service-learning curricula in all grades beginning in kindergarten, so that service to others becomes ingrained in our young as one of the responsibilities of citizenship.

A major unmet need of many young Americans is for more rewarding association with adults and participation in activities valued by adults. Youth service connects young people to the real world, to activities that adults care about. Anytime any of us do something that others, whose approval we seek, think important, we are likely to do it again and again. It is from this crucible of learning -- good citizenship by *doing* good citizenship -- that the next generation can prepare itself for the large challenges that face us.

While a central value of youth service is its role in citizenship education, there are other reasons to support youth service activities -- school and campus-based, as well as full-time year-round and intensive summer programs. Great numbers of our youth have idealism and energy. The efforts of tens of millions of young people -- tutoring, working with older people, working to clean up the environment, feeding the hungry, rehabilitating housing for the homeless -- can make an important and measurable difference. The nation's needs are great, but the talents embodied in our youth are nearly endless. We must mobilize and tap those boundless resources.

Community service, we also believe, is one of the most effective ways known to bridge the economic, social, racial, ethnic, and other social divisions that still plague our society. At its best, service brings together youth of all backgrounds in the pursuit of solutions to common problems.

Finally, youth service helps equip young people to be productive workers. Every genuine employability skill that is a priority for most employers--punctuality, teamwork, discipline, following directions, accepting responsibility -- is present in any decent youth community service assignment. Thus, once again, we stress that schools cannot do it all alone. Service is also an invaluable way to help our youth grow in competence and self-esteem.

President Bush's commitment to help establish a national foundation, with $100 million in federal funds and matching private funds, to provide strong national leadership for the significant expansion of locally-designed and operated youth service programs that serve local agendas demonstrates the kind of presidential leadership we need. We hope the YES Foundation initiative will be a high priority of the new Administration and that the Congress will agree to authorize it.

3. *Young people want and need adult support, especially from their parents.* Collaborative school and community efforts on behalf of young people work best when they supplement the support of strong families. Although the vast majority of families, including those of the Forgotten Half, labor long and hard to give their children and adolescents the material care and guidance they need to finish school and prepare for good jobs, social and economic changes have made it harder for many, especially single-parent families and families with both parents working, to

meet these obligations. Once again, *community supports and the active participation of employers to provide adequate childcare and afterschool care. parent education and counseling are needed to help families guide the development of young people.* Families living in poverty need far more assistance, often over an extended period of time.

4. *Until major changes have occurred in our schools. families. and communities. we will continue to need "added chance" opportunities for those who are out of school and out of work.* The evidence is clear that it is *never too late* to help an individual improve his or her chances for a happier and more productive life. Yet, the best, most cost-effective strategy to alter the course of poverty is one of multiple interventions beginning at the earliest stages of life. Thus, *we recommend a combined strategy of preventive and remedial services.* Its fundamental elements are already in place; they need only to be strengthened.

- o Head Start's blend of integrated health, education, and social services to both child and parent has not only evened up the odds for children entering school from poverty backgrounds, it has also had positive long-term effects on grade retention and school completion. It needs to be expanded far beyond the 19 percent of eligible children it now serves.
- o Chapter 1 educational services to school age children have been widely successful in keeping at-risk elementary school children from falling further behind. With our growing experience, we can now devise more instructionally effective programs than ever before. For example, peer tutoring and cross-age tutoring, in which youth are viewed as resources (rather than as "problems to be fixed"), deserve far greater application in our schools. Chapter 1 assistance also needs to be extended to high schoolers, who are virtually unserved under existing appropriations levels.

- Job Corps' residential program of basic and remedial instruction, vocational and technical training, work-maturity skills, health and nutritional counseling, job placement, and related supports offers the comprehensive and intensive services that research shows can help disadvantaged young people overcome educational and economic barriers to success. Far more than the 40,500 slots now available could be filled by young men and women who would benefit from Job Corps' special brand of education and training.
- Making the most of what we have also means fine-tuning and expanding the Job Training Partnership Act. Despite a clear Congressional mandate to target the special needs of dropouts, the tendency of local programs has been to direct assistance to the easiest to enroll, train, and place quickly in jobs. Greater incentives are needed to encourage local programs to exercise their option to adopt alternative performance standards that stress academic attainment and dropout prevention measures, rather than the more immediate goal of job placement. Experience has shown that the greatest long-term social benefits accrue from enabling trainees to receive intensive treatment and a range of comprehensive services in order to overcome their large skills, health, and other accumulated deficits. What is needed now is a vigorous replication effort to help communities adopt practices that have been demonstrated to be effective.

Because it makes sense to build on proven strength, and because it takes time to reap a fruitful harvest, the Commission recommends that these and other existing successful programs be expanded through additional federal funding of five billion dollars annually for the next 10 years.

5. Organizations that serve youth require *new collaborative mechanisms to guarantee that they reach all young people.* Carefully planned networks -- schools, youth organizations, job-finding services, counseling agencies, and providers of special help with drugs and other entrapments -- are essential. These new networks must be planned and coordinated at the community level. When agencies providing these services are not in touch with each other, and not working together, too many youth fall through the gaps.

To stimulate the development of integrated systems for meeting the education and training needs of all young people, and to convey an explicit message of hope and opportunity to members of the Forgotten Half, the Commission proposes **Fair Chance: The Youth Opportunities Demonstration Act.** Fair Chance is based upon extensive experience with student financial aid programs, academic support services (like the federal TRIO programs), newer efforts like the I Have A Dream Foundations, and a variety of urban scholarship guarantee programs. We now know that student financial aid alone is insufficient to help many young people enter and succeed in college and other forms of postsecondary education. Young people, particularly those from poor families, need to be *motivated* to believe that they can successfully complete a program of advanced studies or training. And they often require remediation to overcome prior skills deficits. Above all, they require counseling and career development, mentorship, and encouragement to stay the course of their studies. When these supports are in place, student financial aid is most effective; when they are not, discouragement is frequent and attrition takes a heavy toll.

The Fair Chance proposal would create a state-approved, locally-administered national demonstration designed to increase access to education, training, and supportive services (including counseling and career development) for youth living in the targeted demonstration areas. The federal funds would flow to state governors who would select appropriate state agencies to prepare and carry out plans for a demonstration that could be in a rural or urban area. Every Demonstration Act grantee's program should be broad enough to support the complete range of education and training: two- and four-year collegiate studies leading to an appropriate degree; vocational-technical or career training leading to a certificate or diploma; and skills training, remediation, and counseling designed primarily for the unemployed and underemployed. Each local grantee would be required to mount a coordinated and comprehensive program that (1) meets the broadest range of young people's needs, and (2) effectively mobilizes the full range of existing education and training service providers in its area. Through Fair Chance, we believe that many more young men and women will be able to acquire the education and training that are their best hope of building careers of dignity and contribution to American society.

6. Finally, and perhaps most important, the Commission concludes that America must *develop a new perspective on our youth.* Too often, we think of the Forgotten Half as failures, as "second rate," simply because they do not attend college. Instead, we must learn to see them as a vital half of tomorrow's citizens who need and deserve our help today so that they may contribute to America tomorrow. Continued disregard for the Forgotten Half's potential is unfair to the 20 million young 16-24-year-olds who are unlikely to attend college and wasteful and dangerous to the nation. Equity and common sense demand that we must act now to create responsible policies -- in the private and nonprofit sectors and at the local, state, and national levels -- to regain this vital half of our nation's store of young talent.

We underline the fact that the largest proportion of our study's recommendations concentrate on initiatives in the family, the community (especially in schools and workplaces), and in the states. We have emphasized in this testimony those aspects that involve federal action.

* * *

As attachments to this statement, we include:

1. The Forgotten Half: Pathways to Success for America's Youth and Young Families; the final report of **Youth and America's Future: The William T. Grant Foundation Commission on Work, Family and Citizenship**, as well as our interim report, The Forgotten Half: Non-College Youth in America.

2. An article about the final report from Phi Delta Kappan, December 1988.

3. A Fact Sheet to accompany the report.

4. Seven (7) key charts to accompany the report.

# YOUTH AND AMERICA'S FUTURE:

## THE WILLIAM T. GRANT FOUNDATION
## COMMISSION ON WORK, FAMILY AND CITIZENSHIP

**Chairperson**

Harold Howe II
Harvard Graduate School of Education

## FACT SHEET

### THE FORGOTTEN HALF:
### PATHWAYS TO SUCCESS FOR AMERICA'S YOUTH AND YOUNG FAMILIES

**BETWEEN 1973 and 1986, YOUNG FAMILIES LOST OVER ONE-QUARTER OF THEIR INCOME, MUCH MORE THAN FAMILIES IN ANY OTHER AGE GROUP.**

- Between 1973 and 1986, young families headed by a 20-24-year-old experienced a 27.4 percent decline in income -- equal to the drop in personal income during the Great Depression from 1929 to 1933.
- During that same period, income for all families dropped by about one percent.

**EARLY STRUGGLES ARE A PREDICTABLE PART OF A FAMILY'S LIFE CYCLE, BUT THE GAP BETWEEN YOUNG FAMILIES AND THE REST OF AMERICA'S FAMILIES HAS WIDENED BY NEARLY ONE-THIRD IN THE LAST 20 YEARS.**

- In 1967, the median income of families headed by 20-24-year-olds was equal to about 77 percent of the median income of all US families; that proportion fell to 52 percent in 1986 -- a 32 percent decline.

**STARTING OUT FAR BEHIND THE GENERATION THAT PRECEDED THEM, TODAY'S YOUNG FAMILIES HAVE LITTLE HOPE OF CATCHING UP.**

- In contrast to the gains of 1947-73 -- when real median family earning grew over three percent annually, thus doubling in purchasing power-- the inflation-adjusted median before-tax income of all families stagnated between 1973 and 1986 -- dropping $300 overall in that 13-year stretch.
- Given current trends, young men and women can expect to earn an average of 25 percent less throughout their lifetimes than the generation 10 years earlier.

**AS A RESULT, MOST YOUNG FAMILIES ARE WORKING MORE TO TAKE HOME LESS.**

- Over one-half of all mothers with children under six and nearly 70 percent of mothers with children between the ages of 6 and 17 are working or looking for work; yet,
- Families headed by females age 24 or younger lost 32.4 percent of their real median income from 1973-86.
- Even married couple families headed by a person under 25 lost 11 percent of their real incomes in these same years.

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**AS YOUNG MALES' REAL EARNINGS HAVE SHARPLY DETERIORATED IN THE LAST 15 YEARS, SO HAVE MARRIAGE RATES. THE LESS EDUCATION COMPLETED, THE LOWER ONE'S EARNINGS; THE LOWER ONE'S EARNINGS, THE GREATER LIKELIHOOD THAT YOUNG PEOPLE WILL NOT MARRY.**

- In 1986, 20-24-year-old males' real mean earnings were one quarter less than were those of an identical age group 13 years earlier -- down from $12,166 (in 1986 dollars) to $9,027; only 43.6 percent of these young men were able to support a family of three above the poverty level in 1986, one-quarter less than the 58.3 who were able to do so in 1973.

- During the same years, the proportion of all 20-24-year-old males who were married and living with their spouses fell nearly 50 percent, from 39.1 percent in 1974 to 21.3 percent in 1986. Blacks, Hispanics, and those with the least education were hardest hit. The marriage rate for black high school dropouts fell by two-thirds.

**WHILE ALL YOUNG FAMILIES HAD LESS INCOME IN 1986 THAN IN 1973, MINORITY AND SINGLE-PARENT FAMILIES UNDER 25 FARED THE WORST.**

- Young, female-headed families with no spouse present lost 32.4 percent-- three times as much as married couple families.

- Among all families -- married couple and single-parent:
  White (non-Hispanic) families lost 19.4 percent of their income;
  Hispanic families lost 18.5 percent; and
  Black (non-Hispanic) families lost 46.7 percent -- almost two and a half times as much as white or Hispanic families.

**IN PROPORTIONS FAR GREATER THAN WE CAN ACCEPT, THE FAMILIES AND CHILDREN OF THE FORGOTTEN HALF ARE NEARING THE EDGE. FOR MANY, UNEMPLOYMENT, AN UNEXPECTED CHILD, OR A RENT HIKE CAN SPELL DISASTER.**

**Health Insurance**

- In late 1985, 21.4 percent of all 16-24-year-olds -- 7.4 million young people -- were not covered by health insurance, one-third more than the 13.3 percent proportion of the total uninsured civilian population.

- Only about 55 percent of 16-24-year-olds are covered by employers' health benefits while about 75 percent of middle-aged workers are so insured.

- Younger families that gain or lose members through births and deaths incur health care costs averaging $2,854 annually (in 1980 dollars), considerably higher than more stable families which spend $1,771. Forty-two percent of such young families had hospital expenses averaging as much as $4,300.

**Housing**

- Among all households headed by a person under age 25, only 16.1 percent owned their homes in 1987, down almost one-third from 23.4 percent in 1973. Home ownership among married household heads under age 25 with children also fell sharply, from 38.9 percent to 29.1 percent in 1987 -- a decline of 25 percent. The proportion of single parents able to afford home ownership over these same 14 years fell by over half, from 13.7 to 6.3 percent.

- Adjusted for general inflation, rents today are at their highest level in two decades, having risen 14 percent higher than the general cost of living since 1981. It is estimated that families headed by a single-parent under 25 would have had to pay 81.1 percent of their income to afford decent rental housing in 1987.

WHILE POVERTY AMONG ALL FAMILIES WAS ONE-QUARTER HIGHER IN 1986 THAN IT HAD BEEN IN 1973, THE POVERTY RATE AMONG YOUNG FAMILIES MORE THAN DOUBLED DURING THOSE SAME YEARS. POOR 20-24-YEAR-OLDS AS A GROUP DO NOT "AUTOMATICALLY GROW OUT OF THEIR PROBLEMS."

- Poverty among all major groups of American families ( except those over 65) was higher in the first half of the 1980s than in the first half of the 1970s. By 1986, the family poverty rate had edged down from its 1982 high of 12.2 percent to 10.9 but it was still well above its 1973 low of 8.8 percent.

- In 1986, nearly 33 of every 100 families headed by a person under 25 had below poverty level incomes -- a rate more than double that of 1967 and triple the 10.9 rate of all American families in 1986.

  In families headed by a white person under age 25, the poverty rate more than doubled from 10 percent in 1973 to 24 percent in 1986.

  Black families were two and one-half times as likely as whites to be poor. Their poverty rate rose from 44 percent in 1973 to 62 percent in 1986.

- While real incomes were markedly higher for families headed by 25-29-year-olds, their 1986 poverty rate was still 66 percent higher than in 1967.

REGARDLESS OF RACE OR ETHNICITY, EARNINGS ARE HIGHLY CORRELATED WITH YEARS OF SCHOOLING.

- Young males with less than a high school diploma took a 42 percent cut (measured in 1986 dollars) in their annual earnings; high school graduates earned 28.2 percent less; those with some college experienced a 16.4 percent drop while, for college graduates, the loss in annual earnings was 6 percent.

- Among full-time, year-round male workers age 25 and older in 1985, those with less than a high school diploma earned a median income of $18,881; high school graduates earned $23,853; college graduates, $32,822.

- For female full-time, year-round workers in the same age group, the earnings differentials across educational attainment levels were comparable but the amounts earned at any level were around 40 percent lower: $11,836, $15,481, and $21,389.

THE FINANCIAL ASSISTANCE THAT MOST YOUNG PEOPLE NEED IN ORDER TO TAKE ADVANTAGE OF COLLEGE OPPORTUNITIES IS INCREASINGLY IN SHORT SUPPLY.

- While rates of degree-credit college entry rose by one-third or more for high school graduates of medium and lower socioeconomic background and academic skills during the 1960s and '70s, the proportion of students from blue collar families enrolling in college from 1980 to 1986 dropped by one-fifth. Black enrollment fell from 34 percent in 1976 to 25 percent in 1985, and Hispanic enrollment declined from 36 to 27 percent.

- Since 1980, tuition and fees at public colleges have risen 70 percent. Private colleges have had a 90 percent increase.

- During the same period, federal student financial aid, adjusted for inflation, grew by just three percent. In 1980, the maximum federal Pell Grant covered over 40 percent of the average tuition bill. Today, it covers only about 29 percent.

- Guaranteed student loans now account for 66 percent of all federal student aid as compared with only 21 percent in 1976; student indebtedness has increased by 60 percent.

**AS CONSTRAINED AS FINANCIAL AID FOR COLLEGE HAS BECOME, A GREATER INEQUITY EXISTS IN THE SHARP CONTRAST BETWEEN CURRENT POLICIES DESIGNED TO SUPPORT THE COLLEGE-BOUND AND THOSE THAT PROVIDE ALTERNATIVE EDUCATION AND TRAINING OPPORTUNITIES FOR THE FORGOTTEN HALF.**

- Students enrolled in an institution of higher education can typically expect a combined public and private subsidy of about $5,000 per academic year -- totalling $20,000 or more per student -- through scholarships and grants, subsidized and guaranteed loans, free or publicly-subsidized college tuition, and other forms of aid.

- Young people not going to college are starved for support of their education and training needs. Only about five percent of those eligible for federally-supported job training receive it, usually for only about four months, totalling only $1,800 to $2,300 per student.

**DURING THE ECONOMIC RECOVERY OF 1983-1986, FAMILIES HEADED BY PERSONS UNDER 25 WERE THE ONLY MAJOR AGE GROUP TO EXPERIENCE NO INCREASE IN REAL MEDIAN INCOME AND NO REDUCTION IN POVERTY RATE. UNEMPLOYMENT IS STILL A SIGNIFICANT PROBLEM FOR YOUNG WORKERS.**

- As of August 1988, unemployment among 20-24-year-old workers remains substantial:
  6.8 percent for whites;
  11.0 percent for Hispanics;
  20.3 percent for blacks.

The CHAIRMAN. We will now hear from Dr. Atwell.

Dr. ATWELL. Mr. Chairman, thank you very much.

In light of the hour, I would ask that my written testimony be included in the record, and with your permission I would like to summarize it.

I, too, would like to say that I think Secretary Cavazos has breathed new life into the relationship between the higher education community and the Department of Education, and we are very grateful.

It is also especially appropriate that this committee examine the serious shortfalls in the participation of minorities and disadvantaged students in higher education.

And in view of the committee's interest in the needs of the American work force, I would like to call your attention to the report issued last month by the Council on Competitiveness, which recognized the relationship between higher education and global competitiveness and offered a comprehensive list of policy options for the Federal Government to remedy current economic ills, the budget deficit, and pave the way for future growth in productivity.

Economic competitiveness cannot simply be maintained or improved without additional investment in higher education. But there are other strong reasons in addition to competitiveness for the Nation to extend educational opportunity to a broader spectrum of our citizens—societal change, the preservation of our cultural heritage, and the advancement of knowledge through research and public service.

Now, our current Federal student aid programs were developed over the past three decades to help achieve the national goal of equal opportunity, and there is no question that they have served this purpose effectively and have served millions of students.

But while we have seen major progress, a substantial opportunity gap remains, and it is clear that the Federal Government must take the lead in closing that gap. Previous testimony referred to the Federal role in education as being about 6 percent of total expenditures. I would remind the committee that if we are talking about student aid, the Federal role is about three-fourths of the dollars.

It is also clear that the Federal effort to meet the goal of postsecondary opportunity has faltered during the 1980's. We have been increasingly concerned about the impact on low-income students and particularly low-income minority students of the reduced value of grant awards and the shift in emphasis in Federal aid from grants to loans. In the past 10 years, we have seen an alarming decline in the rate of participation of our largest minority groups, blacks and Hispanics, in higher education, and we believe that is related to the declining value of Federal student aid of a grant sort and the shift to loans.

Finding ways to improve the educational performance and participation of minority students is now the top priority of the American Council on Education. Working with the education commission of the States, we formed a commission on minority participation in American education in American life, and we found that America is moving backward, not forward, in its efforts to achieve the full participation of minority citizens in the life and the prosperity of the Nation, and we offered strategies for each major sector of society to reverse that trend.

Last month, ACE participated in a joint venture with some K through 12 associations, led by a colleague of mine in this room, Gordon Ombaugh, of the Council of Chief State School Officers, in putting before Secretary Cavazos a series of recommendations for Federal action to increase the numbers of minorities in elementary and secondary teaching. The task force was formed by organizations representing both higher education and K through 12 and is a response to the Secretary's specific invitations, which he reiterated again this morning, to submit recommendations on this important topic.

Next week at a press conference with Secretary Cavazos, we will be issuing a handbook for colleges and universities that will provide practical guidance and numerous examples to help them make their campuses more hospitable to minorities and to develop effective strategies to recruit and retain greater numbers of minority students, faculty, and administrators.

Higher education leaders are committing their time and energy and their institutional resources to expanding opportunities. However, despite an increase in institutional aid and a strong statutory commitment by the Federal Government to the goal of educational opportunity, we are still a long way from its achievement. Several Federal student aid programs currently authorized indicate that Congress supports broad access to post-secondary education, but we cannot reach that goal without a further budgetary commitment.

And I might say, since the subject of national service has come up, Mr. Chairman, that I endorse the comments made by Ernie Boyer and by "Doc" Howe and others here, and simply say that through this Nation, through means of a device called Campus Compact and other means, volunteerism is increasing on our campuses all the time, and we welcome that expansion of volunteerism. I think the kind of Federal role that is appropriate here is the sort envisioned in the legislation introduced by Senator Pell—demonstration grants.

We would not in any way want to see Federal student aid or access to Federal student aid linked to national service legislation, and in that sense I completely agree with the previous speakers.

Thank you very much, Mr. Chairman.

[The prepared statement of Dr. Atwell follows:]

# TESTIMONY BY ROBERT H. ATWELL

PRESIDENT, AMERICAN COUNCIL ON EDUCATION

BEFORE THE

COMMITTEE ON LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

JANUARY 27, 1989

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to testify today on behalf of the American Council on Education. ACE is the umbrella association for the nation's colleges and universities. Our membership includes over 1400 institutions of higher education and about 200 educational associations representing all sectors of higher education.

It is especially appropriate that this Committee examine the serious shortfalls in the participation of minorities and disadvantaged students in higher education.

In view of the Committee's interest in the needs of the American work force, I would like to call your attention to the report issued last month by the Council on Competitiveness, of which I am a member. The report, entitled "Reclaiming the American Dream: Fiscal Policies for a Competitive Nation," recognized the relationship between higher education and global competitiveness, and offered a comprehensive list of policy options for the federal government to remedy current economic ills and pave the way for future growth and productivity.

I won't go into detail on the specific suggestions for reducing the federal budget deficit and improving our trade posture, but I would like to cite the observation made by the authors of the report, who include the leaders of some of our foremost corporations, labor unions, and educational institutions, that "over the long term, the nation will not be able to maintain or raise its standard of living without attending to problems such as its troubled education system, deteriorating physical infrastructure and declining technological leadership."

The report recommends that the federal government expand its commitments in four areas devoted to human resources. First, the report says, "more funding is needed to help bring disadvantaged youth into the mainstream of society. Second, additional funds are needed for special programs in math and science to produce individuals qualified to operate in an increasingly complex technological society. Third, programs must be expanded to broaden access to post-secondary educational institutions. Fourth, funding is needed to retrain dislocated workers so that they can again become productive members of the work force."

Quite obviously, our colleges and universities have an important stake and an essential role in each of these areas. Economic competitiveness simply cannot be maintained or improved without additional investment in higher education.

However, I would point to other strong reasons besides competitiveness for the nation to extend educational opportunity to a broader spectrum of our citizens. Economists may debate whether the benefits of education redound primarily to the individual or to society, but, in the words of Henry M. Levin of Stanford University:

". . . education represents the dominant path for social mobility in our society, particularly as other routes for attaining higher occupational status and income have been closed off. . . . [Reduction of government subsidies to education would be] particularly troublesome at a time when the higher education system has just opened up to the less advantaged."

Debate over the relative benefits of higher education to the individual and to society also tend to ignore its contributions to societal change, the preservation of our cultural heritage, and the advancement of knowledge through research and public service. The most comprehensive study of the individual and social value of American higher education was conducted by the distinguished economist Howard R. Bowen. The conclusions of his landmark Investment in Learning, issued in 1977 by the Carnegie Council on Policy Studies in Higher Education, were as follows:

"First, the monetary returns from higher education alone are probably sufficient to offset all the costs. Second, the nonmonetary returns are several times as valuable as the monetary returns. And third, the total returns from higher education in all its aspects exceed the cost by several times. In short, the cumulative evidence leaves no doubt that American higher education is well worth what it costs."

Our current federal student aid programs were developed over the past three decades to help achieve the national goal of equal opportunity. There is no question that they have served this purpose effectively.

In the 1950s, before the federal role had been established, only about 40 percent of low-income high school graduates with good academic ability went on to college. Today, after three decades of federal assistance, about 60 percent of these students attend college.

While this is major progress, it also represents a substantial remaining opportunity gap that challenges our nation. When you break down the figures on participation, you find that about 90 percent of high-income high school graduates with good academic ability go on to postsecondary education. And these high-income students are much more likely to persist and earn a baccalaureate than students with comparable ability but fewer financial resources.

It is clear that the federal government must take the lead in closing the opportunity gap. Federal student aid programs today provide 75 percent of total student assistance funds, including the value of federally-insured loans. Institutional aid accounts for about 19 percent, and the states provide the remaining 6 percent.

It also is clear that the federal effort to meet the goal of postsecondary opportunities has faltered during the 1980s. While funding for the programs has increased 28 percent, the value of federal aid for individual students has seriously eroded over the decade. The Pell Grant maximum award, which represented 40 percent of total average college costs in 1980, provided only 28 percent in 1988.

Relative to the CPI, the maximum Pell award declined 13 percent in real dollars during this period. By the same measure, other important student aid programs have declined more sharply: Supplemental Educational Opportunity Grants by 21 percent; College Work-Study by 26 percent; Perkins Loans by 57 percent; and State Student Incentive Grants by 38 percent.

The American Council on Education has been increasingly concerned about the impact on low income students, and particularly low-income minority students, of the reduced value of grant awards, and also of the shift in emphasis of federal aid from grants to loans. In the past 10 years, we have seen an alarming decline in the rate of participation of our largest minority groups — blacks and Hispanics — in higher education. This trend is even more alarming because these groups constitute an increasing proportion of the nation's population -- and its work force.

Currently, 20 percent of American children under age 17 are members of minority groups. By the year 2000, one-third of all school-age children will be minority students. And between now and then, minority workers will make up one-third of the net additions to the U.S. labor force. By the turn of the century, 21.8 million of the 140.4 million people in the labor force will be non-white.

In view of these facts, it is particularly disturbing that participation by black males in higher education has slipped alarmingly since the mid-1970s. The Seventh Annual Status Report on Minorities in Higher Education issued two weeks ago by ACE's Office of Minority Concerns reveals that enrollment of black males has fallen from 4.3 percent of college enrollment in 1976 to 3.5 percent in 1986 — the largest decline of any racial or ethnic group. While total enrollment grew from 11 million to 12.5 million over this period, black male enrollment fell from 470,000 to 436,000. I submit a copy of the report for the record.

Finding ways to improve the educational performance of minority students and to broaden their participation in higher education is now the top program priority of the American Council on Education. Two years ago, our board of directors authorized a minority initiative designed to help us regain the lost momentum of minority progress. This has involved a wide range of activities.

To push this topic to the top of the agenda of college and university presidents, these issues have been a major focus at our annual meeting for the past two years.

Working with the Education Commission of the States, we formed a blue-ribbon Commission on Minority Participation in Education and American Life. The group was chaired by Dr. Frank Rhodes, the president of Cornell University, and former Presidents Gerald Ford and Jimmy Carter served as honorary co-chairs. The commission included 37 leaders from business and education, former cabinet members, and state and local elected officials, and last May they issued a report entitled "One-Third of A Nation."

The report was concise and straightforward. The Commission found that "America is moving backward — not forward — in its efforts to achieve the full participation of mionority citizens in the life and prosperity of the nation," and it offered strategies for each major sector of American society to reverse that trend. I have submitted a copy of the report for the record.

To help renew and strengthen higher education's efforts to increase minority recruitment, retention, and graduation, ACE and the American Association of State Colleges and Universities sponsored a working conference on "Educating One-Third of A Nation" last July. The conference drew over 500 representatives from more than 120 institutions. Participants used the three days to compare programs now in place at different campuses and to work as teams to come up with new plans for their own institutions.

Last month, ACE participated in a special Task Force on Minority Teachers that prepared and submitted to Secretary of Education Lauro Cavazos a series of recommendations for federal action to increase the number of minorities in elementary and secondary teaching. The Task Force was formed by the Forum of Educational Organization Leaders, representing elementary and secondary education, and the Washington Higher Education Secretariat in response to the Secretary's specific invitation to submit recommendations on this important topic.

Other activities currently are under way or are planned to continue this initiative. Next week, at a press conference with Secretary Cavazos, we will issue a handbook for colleges and universities that will provide practical guidance and numerous examples to help colleges and universities make their campuses more hospitable to minorities and develop effective strategies to recruit and retain greater numbers of minority students, faculty, and administrators.

We also will be issuing a study sponsored by the Mellon Foundation that will identify and evaluate those university programs that are granting above-average numbers of doctorates to blacks, Hispanics, and American Indians.

Because a large percentage of the minority students enrolled in higher education begin their experience at the community college level, we are sponsoring a project designed to promote more effective transfer programs to baccalaureate degree-granting institutions. Pilot programs involving four community colleges were begun this fall.

That is a brief summary of what in truth is a very extensive program. But let me make this abundantly clear. Higher education leaders are committing their time and energy — and their institutional resources — to expanding opportunities, not only for minority students, but for all citizens. The latest figures show that between 1984 and 1986, institutions increased financial aid awards from their own sources by 22 percent — almost twice the average tuition increase and nearly four times the rate of inflation for that period.

However, despite this increase in institutional aid and a strong statutory commitment by the federal government to the goal of educational opportunity, we are still a long way from its achievement. The several federal student aid programs currently authorized indicate that Congress supports broad access to postsecondary education, but we cannot reach that goal without a further budgetary commitment.

The federal government, the states, and institutions must develop a partnership in providing the financial resources and educational programs that will enable all our citizens to develop to their full potential. Such a partnership will produce a more competitive nation, as well as one that is more decent and caring for its people.

The **Chairman**. Thank you very much.

I have just two questions. First, Dr. Atwell, in your testimony, you point out the decline in minority students in graduate schools over the period of the last 10 years. Do you have any reasons as to why you believe that has developed, and suggestions as to how to deal with it?

Dr. **Atwell**. I think there are many reasons, Senator, but I think the single most important one has to do with the student aid factors that I described—the shift from grants to loans, which is clearly a deterrent. I think also we have work to do on our own campuses in making these institutions more hospitable, and paying a great deal more attention to the retention of students as well as their recruitment than we have in the past, and that is the point of this minority handbook that we will be issuing with the Secretary next week.

The **Chairman**. In referrence to Eugene Lang's "I Have a Dream" program in New York City—is there some lesson from that program that you think has national application?

Dr. **Atwell**. I think that ultimately, we ought to think about expanding the Federal student aid concept to the point where commitments could be made below the 12th grade level; I think there is no question about that. And I would hope that as the committee gets into reauthorizing the Higher Education Act two or three years from now, considerations of that type could be before you.

The **Chairman**. Dr. Howe, one of the things we were looking at yesterday with Secretary Dole was the skills that we are going to need in the year 2000. We have a situation where, from a demographic point of view, we are declining in terms of eligible and available employees. We have a critical mass who are living outside of involvement and participation in the economic system, and we need to try to develop what will bring those individuals into the economy. There are a variety of different factors. We saw from her point of view yesterday some various studies. But one key element is to try to provide those individuals with skills so that they will be able to participate.

Do you have any specific ideas as we address the reauthorization of the voc-ed bill about how the bill ought to be altered or changed to try and take into consideration both the changed opportunities and needs of young people in the country—and old people, I suppose, and handicapped people?

Dr. **Howe**. Well, you already have my point about trying to reach for more experience-based education, which I testified on a moment ago, so I would certainly start with that.

But I want to make a general point about dealing with that problem. First of all, there is no magic bullet about that. There is nothing you can do quickly that is going to solve that problem.

Secondly, the least expensive, most effective way to start dealing with that problem is to start with the things that have been suggested today, here at this hearing, in early childhood, because you are dealing with prevention rather than with cure. Cure in the medical business is always more expensive than prevention, and cure in the education business is more expensive than prevention.

For roughly $3,500 per youngster, you can do an immense amount in the age four, age five categories. For about $18,000 per person, you can do something in the Job Corps. But the cost goes up, and the percentage of success is lower. The Job Corps is successful with about 50 percent of the people who go to it, at very high cost—yet it is a valuable program; it is a rescue program; it is a cure program.

We need to think in terms and strategies of prevention. Therefore, things that affect families and the way kids grow up in the early years, things that affect the way youngsters get treated in institutions in early years, are going to have a lot more leverage to them in the ultimate solution of this problem.

The CHAIRMAN. Senator Pell?

Senator PELL. Thank you very much.

I have no questions, but would just welcome you both here.

The CHAIRMAN. Senator Kassebaum?

Senator KASSEBAUM. Just briefly, Dr. Atwell, I have been very supportive of community colleges, and I believe ACE has a pilot project to see how transfers from community colleges to four-year institutions could be improved.

Dr. ATWELL. Yes, we do. That program is just getting underway, and we are hoping for some substantial foundation support.

Half the blacks and Hispanics in American higher education are in community colleges, and they rarely move from there to four-year institutions. So for that reason alone, we need to improve articulation or educational mobility, but we need to do it for other reasons as well. Educational mobility is a real problem in this country, particularly but not exclusively between two- and four-year institutions, and we would hope that project would make some dent in that problem.

Senator KASSEBAUM. I am glad. You probably do not have any statistics on it yet. Didn't it just start this fall?

Dr. ATWELL. We haven't really gotten that program underway. We have a major proposal before a couple of foundations.

Senator KASSEBAUM. Well, I think it is very worthwhile. I think a number of the four-year institutions have been reluctant to be as cooperative as they might be, and I think that all the way around there could be a greater sharing in the system.

Dr. Howe, in your testimony, you touch on the stigma that is often attached to vocational education. I, too, am a strong believer in vocational education. I worried when my own children were in high school that frequently students just did not want to think about a vocational technical program. As they go on from high school, they do not see it as an option.

How do we get around this stigma, and does the Federal Government have any role in changing that perception?

Dr. HOWE. One of the things about vocational education that is interesting in this era is that learning skills—reading, writing, literacy—have become vocational skills. And vocational education is going to have to address itself somewhat more to the improvement of learning skills rather than strictly—not that it ever did it strictly—but rather than with as much emphasis as is placed on manipulative skills, apparatus skills, machine-handling skills, doing things with things.

But the trick for vocational education is the melding of those two categories of learning, the business of learning mathematics together with the business of doing something on the job, and marrying those things in a way that is effective.

There is an interesting article in the New York Times this morning. A bunch of mathematicians have found out that kids in the United States are not learning very much mathematics. They went to a lot of work to find that out; I think a lot of people could have told them ahead of time. But one of the observations they make in the Times report is that a reason the kids in the United States do not know very much about mathematics is it is taught in a way that it tends to be totally theoretical and removed from the real world.

Vocational education offers the chance to learn mathematical things while you are building something or repairing something or working on something, whether you are cooking it or making it. And that kind of experiencing of learning real mathematical literacy while you are on a job is something vocational education needs to emphasize more.

There are a bunch of people around in the United States called the "experiential" educators. I do not know if you have heard of them; they hide pretty well, but they are interesting, and they are right. They have the view that learning through experience is probably the most important way of learning, where learning through academic routes is somewhat less significant.

Now, a good many people in universities would contest that. In vocational education, that is the name of the game.

Senator KASSEBAUM. I suppose, like many of the things we have touched on here, it goes back to a recognition of the importance of this field, which is key to the development of the skilled work force for the 21st century that Senator Kennedy has mentioned. Certainly, this is a major concern of the committee. There needs to be greater recognition of the important role of vocational education in this effort.

Dr. HOWE. One of the favorite indoor sports among some educators is criticizing vocational education and diminishing it. I do not think they are right.

If you go around the world and look at various models of vocational education, some of them attached to factories, some of them being interesting places where kids are brought to school by their parents, the parents work there, and learn in the school but also in the factory—these models are around for us to look at, and they are the basis for the preparation of the people who do all sorts of important work in a modern society. And I think we are dependent on vocational education. I do not think we ought to be tearing it to bits. I think we ought to be building it up.

So I just cannot see the notion of seeing this as a second-class citizen at the education table, which it frequently unfortunately is.

Senator KASSEBAUM. Thank you, Mr. Chairman.

The CHAIRMAN. Dr. Atwell, I asked you about the Lang proposal. As I understand, in a community or in a school district where you have a 50-percent dropout rate, they graduate 95 percent—even seven young women who were pregnant.

Dr. ATWELL. Something like that, Senator, yes.

The CHAIRMAN. A great percentage of them went on to college—I guess the level of compensation was what the cost would be for tuition in New York—but they had a very high percentage. But it certainly would appear that there must be important lessons learned from that as well.

I think we have covered a variety of thoughts here this morning, and that is certainly always an impressive fact.

I want to thank all of you very much for your presence today and for your testimony.

[Additional material supplied for the record follows:]

aspa
Managing Human Resources

# STATEMENT OF
# THE
# AMERICAN SOCIETY FOR PERSONNEL ADMINISTRATION

submitted to the

COMMITTEE ON LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

January 26, 1989

American Society For Personnel Administration
National Headquarters • 606 N. Washington Street • Alexandria, Virginia 22314 • Phone: 703/548-3440

## INTRODUCTION

The American Society for Personnel Administration, ASPA, is the world's largest organization dedicated to excellence in human resource management. With over 41,500 members, ASPA includes managers from a cross-section of American businesses, from large corporations to smaller, family operations. We estimate that ASPA members work for companies which collectively employ more than 41 million people.

As part of ASPA's ongoing effort to be a leader in the human resource field, ASPA regularly conducts surveys of its membership to examine the membership's views on important, timely topics relevant to the human resource profession. Last year, for example, ASPA provided this Committee with the results of such a survey on members' views on the issues of child care and parental leave.

Last year ASPA identified the growing labor shortage as another issue meriting further examination. Research reports such as the U.S. Department of Labor's "Workforce 2000" study had revealed that employers in this country could anticipate workforce shortages in coming years. Additionally, ASPA was experiencing an increase in anecdotal information for its members reporting cases of such shortages.

In order to gather first-hand information on the extent of the problem - both current and future, and to learn what methods and strategies human resource managers are using to combat this problem, ASPA surveyed its members late last year. In September, 1988 a sample of 4,470 was randomly selected from the ASPA membership for a survey addressing the labor shortage problem. By the October 17th deadline, 707 usable responses were received, for a response rate of 16%.

The survey was designed to identify the occupational categories in which companies are currently experiencing shortages, and, also, to identify those occupations in which future recruiting difficulties (during the next 3-5 years) are anticipated. In addition, information was compiled about specific jobs which respondents have the most difficulty filling.

The survey also gathered data about the recruiting methods and strategies companies use to recruit their employees, and the success of these approaches.

Although the final results of the survey have not yet been published, we would like to share a [illegible] of the results with the Committee. We will, of course, provide the Committee with copies of the final survey upon publication.

## I. EXTENT OF THE LABOR SHORTAGE PROBLEM

Respondents were asked to identify those occupations in which their company is currently experiencing labor shortage difficulties. For all occupational categories listed, at least half of all respondents report having moderate or great/very great difficulties recruiting qualified applicants. In fact, for technical and skilled/craftsman positions approximately two thirds report having at least moderate or great/very great problems.

Positions in the executive/administrative/managerial and sales categories appear least affected by the labor shortage. Few respondents report great or very great difficulties recruiting applicants for these categories (11 and 16 percent, respectively). No major regional differences were found for these two occupational classifications.

For the professional, office/clerical, and unskilled categories approximately one quarter of respondents report great/very great difficulties recruiting qualified applicants. According to the survey results, some regional differences for these occupations are evident:

**Professional**

* The West is having the greatest problems recruiting for professional positions. Forty two percent report

moderate and 35 percent report great/very great difficulties.

- The Northwest is having the least problem, with 18 percent reporting moderate and 18 percent reporting great/very great difficulty recruiting qualified professionals.

**Office/Clerical**

- The Northeast is having particular difficulty recruiting for jobs requiring office/clerical skills. Fifty percent report great/very great difficulty recruiting qualified applicants.
- The Northwest, midwest, and South-Central regions are having considerably fewer problems, with only 4, 12, and 14 percent (respectively), reporting great/very great difficulty.

**Unskilled**

- Again, the Northeast is the region having the hardest time recruiting for unskilled positions. Half report great/very great difficulty recruiting these applicants.
- The South-Central region has been least affected, with about three quarters reporting little or no difficulty in finding unskilled applicants.

Survey findings indicate technical occupations and skilled/craftsman positions are the two occupational categories respondents report hardest to fill. For jobs in the technical field, one third report great/very great difficulty, one third report moderate difficulty and one third report very little or no difficulty recruiting qualified applicants. Labor shortage problems for technical occupations are generally consistent nationwide - few regional differences were found.

In recruiting applicants for skilled/craftsman positions, companies are again split into thirds regarding the extend of the shortage. However, in this case, regional differences were found:

- Over three quarters of the Northeast and Southeast respondents report moderate, great, or very great difficulty recruiting qualified skilled workers.
- The Northeast is particularly affected, with well over half (62%) reporting great/very great difficulty, and 19 percent reporting moderate difficulty.
- In the Southeast, 37 percent report great/very great difficulty and 39 percent report moderate difficulty.

## II. ATTRACTING AND MOTIVATING THE WORKFORCE

Of the methods and/or organizations companies normally use to recruit employees, newspaper advertising and employee referral are used by the vast majority, and are perceived to be at least somewhat successful by almost everyone. Walk-ins and unsolicited resumes are also used by more than 80 percent of companies, although they are not perceived to be as successful st the top two methods.

When asked what recruitment strategies their company has adopted to help alleviate the labor shortage, 74 percent report that they have increased help-wanted advertisements and other publicity to recruit applicants, most with at least some success. Two thirds report an increase in hiring of part-time or temporary workers, and half state they participate in job fairs and career open houses. Another 46 percent have increased cooperation with educational and training institutions, most with a t least some success.

Students, retirees, and homemakers are the top three "non-traditional" applicant pools companies have begun to actively seek out (53, 43 and 36 percent of respondents respectively). The more novel "non-traditional" groups are being targeted with less frequency. The physically handicapped and economically disadvantaged ar being sought by about 30 percent of companies, while immigrants and the mentally handicapped are targeted by less than 19 percent.

Over half of the responding companies state they have had to increase wages in an effort to attract applicants and motivate/retain their current workforce. About one third have increased health benefits. The next two most popular benefits introduced to attract and retain the workforce ar tuition assistance (52%) and section 401(k) savings plans (44%).

## III. SKILLS MOST LACKING AND COMPANY TRAINING EFFORTS

Almost half of the total sample believe that writing skills are seriously lacking in their company's applicant pools. The next two skills most lacking are job specific/technical skills (43%) and verbal communication skills (42%).

About half of the sample has introduced or expanded training programs for employees to address the skill deficit problem. Of those with training programs, 52 percent address computer skills, and 40 percent teach work processing skills. Verbal communication and writing skills course are offered by about one third.

Most respondents (88%) report they use an in-house training department to develop and implement their training programs. Fifty eight percent use outside consultants, and 51 percent use community colleges and universities.

When asked what business and the government could do to help alleviate the shortage of qualified workers, the key, according to many respondents, is better education and training. Working with schools to gear the curriculum toward skills needed by the business community, and providing financial and other assistance to educational institutions are suggests as ways to help provide more qualified workers for the future.

## CONCLUSION

ASPA appreciates the opportunity to share the results of this survey with the Committee, and applauds the Committee for holding this hearing and directing the public's attention to the emerging issues associated with the growing labor shortage.

The CHAIRMAN. The committee will stand in recess.

[Whereupon, at 1:07 p.m., the committee was adjourned.]

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